MORE THAN A SHOT IN THE ARM: THE NEED FOR ADDITIONAL COVID-19 STIMULUS

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MORE THAN A SHOT IN THE ARM: THE NEED FOR ADDITIONAL COVID-19 STIMULUS

Thursday, February 4, 2021

U.S. House of Representatives,
Committee on Financial Services,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., via Webex, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Sherman, Meeks, Scott, Green, Cleaver, Perlmutter, Himes, Foster, Beatty, Vargas, Gottheimer, Gonzalez of Texas, Lawson, San Nicolas, Axne, Casten, Pressley, Torres, Lynch, Adams, Tlaib, Ocasio-Cortez, Garcia of Illinois, Garcia of Texas, Williams of Georgia, Auchincloss; Wagner, Lucas, Posey, Luetkemeyer, Huizenga, Stivers, Barr, Williams of Texas, Hill, Emmer, Zeldin, Loudermilk, Mooney, Davidson, Budd, Kustoff, Hollingsworth, Gonzalez of Ohio, Rose, Steil, Gooden, Timmons, and Taylor.

Chairwoman Waters. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time.

I want to remind Members of a few matters, including some required by the regulations which established the framework for remote committee proceedings. First, I would ask all Members to keep themselves muted when they are not being recognized by the Chair. This will minimize disturbances while Members are asking questions of our witnesses. The staff has been instructed not to mute Members, except when a Member is not being recognized by the Chair and there is inadvertent background noise.

Members are also reminded that they may only participate in one remote proceeding at a time. If you are participating today, please keep your camera on, and if you choose to attend a different remote proceeding, please turn your camera off.

If, during the hearing, Members wish to be recognized, the Chair recommends that Members identify themselves by name so as to facilitate the Chair's recognition. I would also ask that Members be patient as the Chair proceeds, given the nature of the online platform the committee is using.

With that, I yield myself 5 minutes for an opening statement.

Today, this committee convenes for our very first committee hearing of the 117th Congress. Today's hearing is entitled, "More Than a Shot in the Arm: The Need for Additional COVID-19 Stimulus." Our focus today is on the urgent need for Congress to provide additional stimulus to address the COVID-19 pandemic crisis.

Following his decisive victory in the November election, President Biden has a mandate to move on his agenda and lead the nation out of this crisis. Finally, we have real leadership in the White House to provide a serious, comprehensive response to this virus.

From his first day in office, President Biden has been moving efficiently and effectively to right the ship and clean up the mess that his predecessor created. The stimulus package that Congress passed at the end of last year was the very first step, and served as an emergency stop gap to help individuals and families in distress, but it was clear then, and remains clear now, that much, much more relief is needed. President Biden has put forth a sensible and well-designed proposal, called the American Rescue Plan, to provide $1.9 trillion in essential funding and relief to individuals, families, and communities across the country.

The American Rescue Plan provides additional direct stimulus payments, rental assistance, unemployment assistance, and emergency assistance for local, State and Territory Governments, as well as other critical relief and measures to respond to the crisis. Leading economists agree that it is critical for Congress to pass another large stimulus package. Federal Reserve Chairman Powell has also noted that, "Support from fiscal policy will help households and businesses weather the downturn as well as limit lasting damage to the economy that could otherwise impede recovery."

According to the International Monetary Fund (IMF), the Biden stimulus plan would boost United States output by 5 percent over 3 years. Last year, the United States economy shrank by the largest amount since 1946. Around 1.2 million small businesses closed between February and June of last year, and communities of color continue to be the very hardest hit. According to the Bureau of Labor Statistics, of all job losses in December where jobs were held by women, women of color suffered the most job losses. These are not statistics that warrant a wait-and-see approach. These realities demand urgent action. They demand the American Rescue Plan.

This committee has played and will continue to play an essential role in providing much of this relief. The Administration needs critical funding to prioritize the development and production of desperately-needed medical supplies under the Defense Production Act (DPA). Renters need additional assistance, including emergency housing vouchers, to ensure that people in rural and suburban and urban communities can remain stably housed. More funding is needed for persons experiencing homelessness, who face even greater health risk as a result of the pandemic. We must also address the reality that homeowners across America face a foreclosure crisis if Congress does not step in to support modifications before the pandemic ends.

And this committee will also need to come to the aid of businesses and their workers who are barely staying afloat, including small businesses, minority-owned businesses, and sectors hit hard, like the airlines. Finally, with new, more contagious, and potentially more deadly variants of the virus from the U.K., Brazil, and South Africa, all having now been detected right here in the United States, we need to mobilize the multilateral system and its institutions. And it is very, very clear that this pandemic cannot be defeated until it is defeated everywhere. And so, I look forward to hearing from our distinguished panel of witnesses on the need for relief, and the proposal that the Biden Administration has put forward.

I will now recognize Congressman Hill, who will be standing in for our ranking member, Mr. McHenry, for an opening statement. Mr. McHenry has an emergency and cannot be with us right now. Mr. Hill, you are recognized for 5 minutes.

Mr. HILL. Thank you, Madam Chairwoman. Thank you for convening this hearing today.

Let's start with the facts. To date, Congress has provided $3.5 trillion to support the economy. This included direct payments to individuals, assistance for small businesses, rental assistance, and support for frontline workers, among many other strategies. This was a tremendous and often bipartisan effort that has provided a bridge for Americans reeling from this dual health and economic crisis. Now, thanks in large part to Operation Warp Speed and Congress' actions, vaccines are being distributed. To be clear, we are not out of the woods yet, but we are on the right path.

Today, we are discussing what our economy needs to fully recover. I think the answer is clear: The best way to support the economy now is to reopen it safely. No amount of stimulus can replace open businesses, available jobs, and kids in the classroom. We should continue to be thoughtful and deliberate.

I think we can all agree that the Coronavirus Aid, Relief, and Economic Security (CARES) Act was the right response at the right time. We were all facing an enemy that we knew nothing about. Since then, Congress has come together on five separate occasions to support families, individuals, workers, and small businesses. In fact, at the end of December, just over a month ago, we came together and put nearly $1 trillion in additional relief through the Congress, which was signed into law. This $900 billion package, money to be spent across our country, has yet to be spent. Just 1 month later, that money has not yet seen its full impact in our economy and for our families. Today, unlike 10 months ago, we have the benefit of real data, and the facts guide us in driving better policy outcomes.

Last Tuesday, the Bureau of Labor Statistics reported that despite the surge in positivity rates throughout the summer and fall, States that were open, and open safely, had better employment rebounds than those States that were locked down. In fact, employment increased in 15 open States. California, in comparison, lost more than 52,000 jobs. Michigan lost more than 64,000 jobs. In my own home State of Arkansas, our unemployment rate fell to 4.2 percent in December, from the peak in May of 10.8 percent. Our tax revenues are up.

What does the data tell us? It tells us that States can reopen safely. It tells us that if States aren't open, businesses cannot operate. If there are no businesses, there will be no jobs for individuals to come back to. Our focus should be on how best to safely reopen our economy. That means more testing and faster vaccine distribution to keep our communities healthy. It may mean more funding to ensure that frontline workers have the supplies they need to stay safe. At the same time, we need to make sure that additional funding will have an impact on Americans who need it the most. There are families and individuals who are hurting from the lockdowns. We should be targeting assistance to get them back into the workforce, not just creating more bureaucracy and throwing money at this critical problem.

We should mirror the bipartisan compromise and serious legislating that went into the CARES Act and the other four bills that were enacted last year, and not spend time deliberating a partisan, wasteful, not targeted, $1.9 trillion stimulus bill. The data is pointing us towards what the economy needs. Now, let politics get out of the way and let us get to the work of providing the targeted help we need.

Again, let me thank the Chair for holding this hearing. I yield back the balance of my time.

Chairwoman WATERS. Thank you very much. And Members, I am so pleased that we have a President with a plan.

I want to welcome today's distinguished witnesses to the committee: Clarence Anthony, CEO and executive director of the National League of Cities; Derrick Johnson, president and CEO of the National Association for the Advancement of Colored People (NAACP); Janet Murguia, president and CEO of UnidosUS; Dr. William Spriggs, the chief economist at the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO); and Dr. Michael Strain, an economist at the American Enterprise Institute.

Each of you will have 5 minutes to summarize your testimony. You should be able to see a timer on your screen that will indicate how much time you have left, and a timer will go off at the end of your time. I would ask you to be mindful of the timer and quickly wrap up your testimony if you hear the timer, so that we can be respectful of both the witnesses' and the committee members' time. And without objection, your written statements will be made a part of the record.

With that, Mr. Anthony, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF CLARENCE E. ANTHONY, CEO AND EXECUTIVE DIRECTOR, NATIONAL LEAGUE OF CITIES (NLC)

Mr. ANTHONY. Good morning. Thank you, Chairwoman Waters, Congressman Hill, and members of the committee. I am Clarence Anthony. I am CEO and executive director of the National League of Cities, and a former mayor of South Bay, Florida, for over 24 years. The National League of Cities is the nation's foremost resource and nonpartisan advocate for municipal governments and their leaders, representing 19,000 cities, towns, and villages, many in your districts. Today, I am speaking on behalf of all of those local governments that have gone above and beyond to overcome the COVID-19 emergency.

Local government employees are truly on the front lines of enforcing measures that protect residents from catching and spreading COVID-19. Local community and economic development departments are stabilizing households and small businesses harmed by losses from the COVID-19 pandemic. Local elected officials are making painful budget cuts to preserve essential day-to-day operations that sustain cities as economic engines and places of opportunity. Residents are relying more than ever on the safety net programs that local governments are responsible for putting into action.

We are grateful for the funding provided in prior emergency relief packages, but the fact remains that local budget revenues are far below normal collections. Municipal governments are alone facing a $90 billion shortfall on 1-year revenues. This does not include the losses facing County, State, Tribal, or Territory Governments. NLC supports the $350 billion for emergency intergovernmental relief.

Local leaders in your district will tell you this is not a bailout. Our local communities need a partnership, and we are fighting every day. Labor market data shows that local governments are still cutting jobs to offset revenue losses and unexpected expenses related to COVID-19. The December job reports from the Bureau of Labor Statistics state that 32,000 jobs have been cut. Public sector employment is down by more than 1 million jobs, compared to February 2020.

Emergency funding has provided aid to the private sector, to residents harmed by COVID. SBA Treasury programs provided businesses with access to credit. HUD programs provided funding to help homeless residents, renters, and small businesses. The role of local government in these programs is to connect emergency resources to those in need, and that required drawing up new programs lifting up our residents through creating operations that help small and minority-owned businesses overcome obstacles.

There is no question that additional housing stability is important, and the National League of Cities (NLC) has reflected that in our Homeward Bound programs that focus on job security and health. As a result, however, of these layoffs and operation decline, many local governments are less able to enact this kind of guidance that they are immediately responsible for after the CARES Act was passed. The new Emergency Rental Assistance Program is a reasonable response to the emerging economy-killing eviction cliff.

Roughly 1 out of every 5 people is in a rental in America. Forty million people are at risk. Local governments are the ones that implement these initiatives. We need support. Local governments are running out of ways to paper over dramatic losses, and even when that happens, declines will not stop the new programs from needing to be implemented.

So, we are asking that these principles ensure that local governments are connected and engaged in the next bill: one, emergency funding should be fair and appropriate for each and every local government, with no minimum population threshold for eligibility; two, allocations of aid should be built on familiar and proven government revenue-sharing programs like the Community Development Block Grants; three, funding should be separate for States, counties, and municipalities; and four, eligible expenditures should be targeted to the widespread health and economic consequences of COVID-19, including unavoidable revenue shortfall.

In conclusion, on Monday CBO warned that unemployment is likely, so we are asking for our shot as local governments. Thank you, Madam Chairwoman.

[The prepared statement of Mr. Anthony can be found on page 70 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Anthony. Ms. Murguia, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF JANET MURGUIA, PRESIDENT AND CEO, UNIDOSUS

Ms. MURGUIA. Good morning. Thank you, Chairwoman Waters and Ranking Member McHenry, for inviting me to testify today. My name is Janet Murguia, and I am the president and CEO of UnidosUS, the largest Hispanic civil rights and advocacy organization in the United States. For more than 50 years, and in partnership with our affiliate networks, we have worked to advance opportunities for Latino families across the country so they can achieve economic security and build wealth. Chairwoman Waters, thank you especially for leading this committee's work to address income inequality and racial wealth disparities.

As I begin, I would note that inadequate recovery efforts from the last recession, when Latinos lost 66 percent of their wealth, contributed to the fragile economic status of the Latino community prior to the COVID-19 outbreak. As a result, a pre-pandemic 2020 poll found that most Latinos were already concerned about high housing costs, and said they struggled to make ends meet.

And social, economic, and health disparities, coupled with systemic barriers to safety net assistance and relief, have disproportionately impacted Latinos and devastated our families. More than 70 percent of Hispanic workers are essential workers, which is why we are twice as likely to get sick and 3 times as likely to die from COVID-19.

Latinos were also deeply impacted by job losses in hard-hit industries like hospitality, including those that did not allow telework, and Latino small businesses have struggled to stay open. Our polling shows that more than half of Latinos surveyed have lost job wages or businesses due to the pandemic, and these job and earnings losses put Latinos especially at risk of losing their homes to eviction and foreclosure.

While the pandemic has placed financial pressure and strain on many Americans, the experience of Latinos in accessing Federal relief has been especially difficult, since many Hispanic immigrants in mixed-status families have been excluded from emergency Federal relief and aid. For example, the CARES Act excluded millions of mixed-status families, including more than 5 million children and spouses who are either U.S. citizens or green card holders, from stimulus payments. While a partial fix was enacted in December, millions of U.S. children and their families remain blocked from Federal relief.

The President's American Rescue Plan is a huge improvement. Latino workers and their families will benefit from extended unemployment insurance, and housing protections and aid to prevent eviction. The plan's aid to State and local governments will help our local affiliated, community-based organizations and help them serve their hard-hit communities. But it is outrageous and immoral to continue denying aid to families and children in need during a national emergency simply because of their parents' immigration status, especially when they are experiencing hunger and food insecurity. So, Congress must include all of our neighbors and essential workers in emergency pandemic relief.

We then would suggest some additions to the Biden plan, such as: ensure that HUD and Treasury assistance reaches the hardest-hit communities, including mixed-status families and immigrant workers; provide $700 million in support for housing counseling organizations to help homeowners and renters at risk of losing their homes; expand foreclosure protection, extending aid to all homeowners, and establish a homeowner assistance fund; set aside a portion of small business aid for impacted minority-owned business; and use the Community Reinvestment Act (CRA) to ensure that the hardest-hit communities can access available aid.

A true American rescue plan is one that ends the cruel exclusion of families and includes everyone in relief. But to truly rebuild our economy better, we must also protect essential workers by finally updating our immigration system and providing a path to citizenship for immigrant workers and their families. We must do this now to stand up for the people who have been standing up for us, including through budget reconciliation if necessary. A real robust and lasting economic recovery depends on it. Thank you.

[The prepared statement of Ms. Murguia can be found on page 77 of the appendix.]

Chairwoman WATERS. Thank you very much. Mr. Johnson, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF DERRICK JOHNSON, PRESIDENT AND CEO, NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE (NAACP)

Mr. JOHNSON. Good morning, and thank you, Chairwoman Waters, for your leadership, and Ranking Member McHenry. Thank you for the invitation to testify on this timely, important topic: the need for additional support for COVID-19 relief. I am excited about your leadership, Chairwoman Waters, at this crucial time as we look forward to working with you in ensuring that our communities are protected from this unfortunate health crisis. On behalf of the million activists who make up the NAACP from across the country in 47 States and 2,200 units, NAACP is the nation's oldest civil rights organization, this month at 112-years-old.

Much of what I want to talk about will highlight the need as we have observed it on the ground across the country. Before I do that, I do want to recognize: Representative Ayanna Pressley for helping us in December to highlight the need for student loan indebtedness; the new Chair of the Congressional Black Caucus and member of this committee, Representative Beatty, for using her platform to continue to amplify the call for justice, equity, and equality; and former CBC Chairman Cleaver, who has been sounding the alarm on testing and racial disparities in this moment.

As we look at this current crisis in the stimulus packages, we really want to focus on critical workers, and many of those critical workers are straddled with student indebtedness. In fact, if you look at the student loan crisis, African Americans and Latinos are disproportionately impacted because many of them are first-generation college students, but in total we are looking at about $1.7 trillion in student loan indebtedness.

If we consider discharging much of this, if not all, it can be seen as an economic stimulus. Much of the funds that are used to pay back these loans could infuse capital back into our economic system and caboose our GDP. In fact, there are tools that are currently in place to provide support for critical workers under the Public Service Loan Forgiveness Program, where many of our citizens participate in ensuring that our society keeps moving. These are government workers, our teachers, and others who have to go to work every day to ensure that we are provided the necessary resources for which our tax dollars pay.

Far too many of them are underemployed and over-indebted because of the student loan burden. The tools in the toolbox through the automatic discharge after 10 years could be accelerated and it could be immediate. We celebrate the forbearance that the new Administration just called for, but if we really look closely at how to stimulate our economy, this is an effective tool. We have given more away in tax breaks and other stimulus to corporations. In fact, if you look at the ongoing tax break that was provided over the last 4 years on top of the stimulus packages for corporations, it more than doubled the amount of student loan indebtedness.

It is the right thing to do in this moment of crisis. It is a way to boost our economy, and it is a way to ensure that those individuals who are on the front line providing support for us, and municipal governments and State governments, and our teachers in the classrooms will be cared for in ways in which it could pay dividends for our economy.

In Houston, as we begin to look at the eviction crisis, many people have to be on the front lines to prevent evictions as a result of some of the deadlines about to expire. We partner with BeyGOOD, Beyonce's group and we created a program, and we were overwhelmed with the need of individuals who are on the verge of being evicted. In fact, it was so overwhelming that we had to shut down the program within 48 hours, because 37,000 families, over 50,000 applications, came in so quickly that we had to shut the program down.

It is clear that there is a crisis. This committee can continue to hold businesses and banks accountable to ensure that in this moment of economic transition, evictions are stalled and we are able to put our economy right, and people can fully participate. And when you look at the vaccine and the disparity in which the vaccines are being deployed, we have to make sure those who are most impacted are provided with the necessary support.

This COVID moment has impacted African Americans to where 1 out of 660 Black persons in this country are dying because of COVID, and the vaccine deployment has not been equitable. In the City of New York, we found that high-wealth individuals were going to Latino communities to get the vaccines, although the vaccines were placed there for the Latino community to receive. We have to have a better approach of deploying the vaccine. So, when we look—

Chairwoman WATERS. Thank you, Mr. Johnson. Your time has expired.

Mr. JOHNSON. Thank you.

[The prepared statement of Mr. Johnson can be found on page 74 of the appendix.]

Chairwoman WATERS. And let me just take a moment to thank Mr. Anthony and Ms. Murguia for their very fine testimony. Dr. Spriggs, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF WILLIAM E. SPRIGGS, CHIEF ECONOMIST, THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)

Mr. SPRIGGS. Thank you. Thank you, Chairwoman Waters. I appreciate your leadership and this opportunity to speak to your committee on the issues of our nation's crisis. I am happy to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States, and based on my expertise as a professor in Howard University's Department of Economics.

My testimony today will discuss the immediate challenge our nation faces of a severely damaged labor market and the need to conduct an all-out, coordinated Federal, State, and local Government fight to tame the COVID virus. We will need to have in place a full fiscal response to coordinate with current monetary policy to ensure our economy can emerge with a robust and sustainable growth path by addressing inequality. That means we need policies to address the damage of the virus to economic activity, ensuring all of our efforts to reduce the incidence of the virus, and to regain American leadership globally to heal the global economy as the United States did at the end of World War II.

Despite improvements since April 2020, when our nation lost the greatest number of payroll positions since World War II, through December, we were still down 9.8 million payroll positions since February 2014. In March, Congress acted rapidly to pass several key economic supports, but the efficacy of those policies began to show weakening and waning job gains since July, after key provisions, like the $600 in additional weekly unemployment compensation, phased out, so in December, we were again losing jobs. Today, our labor market is missing almost 1.8 million more jobs from its peak than we stood at the depth of the Great Recession in September 2010, compared to that labor market's peak in January of 2008.

Despite congressional efforts to put substantial sums into the economy in the second quarter of last year to make up for lost jobs, slower business, and to help develop a vaccine, in the 4th quarter of last year, the economy grew at a significantly slower rate than the 3rd quarter, and we began this year with an economy that is smaller than it was in the 2nd quarter of 2018. This is a dire situation. Our situation is complicated because our job losses stem from a failure to control the spread of the virus.

Individuals living in high-income areas have drastically reduced their consumption of services, especially personal services—restaurants, brick and mortar retail consumption, and travel—in response to the prevalence of the virus, not in response to health orders to limit business activity, and this is a vital portion of consumption that is shrinking our economy.

To tackle the source of our economy's woes, we need a coordinated effort by the Federal Government with State and local government partners, but State and local employment levels are depleted. Through December, we had 373,000 fewer State Government workers and a little more than 1 million fewer local government workers. We cannot bring all of the public resources to bear on this crucial fight with so many fewer public sector workers. To get ahead of this rapid virus, we need congressional action now, because we failed in December to have the money for State and local workforces.

It is important to also look at the important things that were missing. We need the $400 in unemployment compensation added back that was key to what was happening in the 3rd quarter recovery. We need the pandemic relief payments of $1,400 because that was key for what was making the economy expand in the 3rd quarter. And we need to increase the Federal minimum wage to ensure that we will have wage growth coming out of this recovery and to ensure racial equity as wages recover. We know that there will be excess monopsony power that will get in the way of restoring the wage growth that we need for our economy to recover.

We need to have the United States back special drawing rights at the International Monetary Fund (IMF) so that all world governments will be our partner in defeating this virus. No one will be safe until all countries can win this war.

[The prepared statement of Dr. Spriggs can be found on page 88 of the appendix.]

Chairwoman WATERS. Thank you, Dr. Spriggs. Dr. Strain, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF MICHAEL R. STRAIN, ECONOMIST, AMERICAN ENTERPRISE INSTITUTE

Mr. STRAIN. Thank you, Chairwoman Waters and Ranking Member McHenry for the invitation to testify today. And thank you, Congressman Hill and members of the committee. It is an honor to be here.

Two ways to assess the need for economic support are top down and bottom up. The top-down approach attempts to assess the amount by which the economy is underperforming and determine how much government spending would be required to bring the level of economic activity back to where it should be. More precisely, the quantity of goods and services that could be sustainably produced given the economy's underlying technology and labor and capital resources is determined and compared to the economy's actual production. The difference between the economy's underlying potential and actual performance is called the output gap. The size of the output gap can be used to determine the appropriate size of an economic stimulus package.

Alternatively, Congress can take a bottom-up approach. This way of crafting economic support would pay less attention to the size of the output gap and more to the specific needs facing the economy. Today, those needs clearly involve increasing the nation's capacity to distribute the vaccine and to test people for COVID-19. Of course, in practice, applying both a top-down and bottom-up approach makes the most sense, but judged by either criteria, President Biden's proposed $1.9 trillion American Rescue Plan is too large and too wide in scope.

According to my calculations based on Congressional Budget Office (CBO) data, the 2021 output gap will be around $420 billion. This calculation includes the effects of the $900 billion law Congress passed just 6 weeks ago. The policy debate seems to have all but forgotten that Congress appropriated around $900 billion just a month and a half ago, but factoring that in, the output gap will be around $420 billion for the current year. From a macroeconomic top-down perspective, the President's proposal would fill the 2021 output gap several times.

It is commonly argued that the risk from spending too little is larger than the risk for spending too much. I agree, but this is not the same as arguing that the size of an additional stimulus package should be untethered to estimates of the underlying economic need. Any assessment of the right size for another stimulus should start with a good estimate of the output gap, and given the [inaudible] calculating that gap and the balance of risks, it is prudent to err on the side of a slightly larger package.

The future paths of gross domestic product to the output gap and consumer prices are very uncertain. Congress should recognize the many risks from spending too much and [inaudible]. From this macroeconomic perspective, the President's $1.9 trillion proposal is clearly too large. While the proposal contains several important components that Congress should enact, from a bottom-up microeconomic perspective, many major components of the plan are either unnecessary or will hold the recovery back.

For example, direct checks to households earning a six-figure incomes that have not experienced employment loss are an unnecessary and imprudent use of government spending. The proposed $400 Federal supplement through September to standard State-provided unemployment insurance benefits would prolong the period of labor market weakness by incentivizing unemployed workers to remain unemployed. Raising the Federal minimum wage to $15 an hour [inaudible] workers in many States. As a moral proposition, a bill that would destroy jobs for low-wage workers while handing out checks to employed upper-middle-class households is deeply problematic.

A bill that was more focused and that did not contain these harmful or unnecessary provisions would also be more aligned with the overall macroeconomic need and would better address our specific economic challenges. A bill that provided adequate funding for vaccine distribution to strengthen the social safety net and provide needed relief to State and local governments would be reasonable and advisable. It would cost under $750 billion, would be focused on current economic and social need, [inaudible] gap. Thank you.

[The prepared statement of Dr. Strain can be found on page 111 of the appendix.]

Chairwoman WATERS. Thank you, Dr. Strain. I now recognize myself for 5 minutes for questions.

This is the first week of Black History Month. While there is so much to celebrate and honor, we know that this pandemic has taken a particular toll on both renters and homeowners of color. According to the latest Census data, renters and homeowners of color are significantly more likely to be behind in paying their rent or mortgage, putting them at greater risk of eviction and foreclosure. Before the start of the CDC's eviction order, researchers estimated that up to 40 million renters could face eviction. More recently, Moody's Analytics estimated that renters owe more than $57 billion in back rent, utilities, and additional fees. In the second quarter of 2020, mortgage arrears totaled an estimated $16.3 million.

Since the pandemic began, it has been my top priority to ensure that families remain in their homes, and last year, I successfully sought to secure $25 billion in emergency rental assistance. But as I have said, that was just the first step, and there is much more work to be done, and now is the time to do it.

Mr. Spriggs, without taking further action to protect renters and homeowners, we could see a wave of foreclosures and evictions in 2021. Can you tell us, based on your research, how such a wave of evictions and foreclosures would impact the American economy, both in the short term and the long term?

Mr. SPRIGGS. Thank you, Chairwoman Waters. Yes, this is a vital problem to address, and thank you for your leadership on this issue. It will complicate things, which is why we have the urgency of acting now. People, as you mentioned, are in arrears. The moratorium only means they will not be evicted now, and the $600 that they received at the beginning of January has already been spent because they got behind from the period of July through December, when Congress refused to respond to the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act that the House passed, thanks to the leadership.

Those dollars are gone. Those households are in desperate need of assistance and rental assistance so that when we get out of this situation, they will be able to stay in their homes. If we allow people to become homeless, we will have scarring that we cannot solve. It will be more expensive. This is not the time to be penny wise and pound foolish because people are already behind, and that is why we must do this now. We do not have months to wait. We already know their situation. We need to act now.

Chairwoman WATERS. Mr. Johnson and Ms. Murguia, can you tell us about the current housing instability that Black and Latinx communities are experiencing across the country, and how it compounds existing socioeconomic inequities?

How can resources, like emergency rental assistance or housing vouchers, help stabilize the hardest-hit communities? Thank you.

Mr. JOHNSON. Sure. At the NAACP, we tried to provide some support. We opened up a portal to help home renters. Within 48 hours, our system crashed because we had over 37,000 people apply, literally. That is on top of the many workers, particularly in the southern States, who are underpaid, who work in critical areas, and they are making the necessary support, in addition to the exposure that they are bringing home to their families in this COVID moment. Your actions and your efforts could help support those families to become sturdy in this moment as we rebuild our economy.

Many southern States underpay their State and local workers, including teachers. A lot of these teachers are home renters. So, we are asking teachers under economic stress and duress to teach our young people for a future when they cannot be in a comfortable position in this present. Your assistance is desperately needed in this moment.

Chairwoman WATERS. Thank you very much. My time has expired. I now recognize Mr. Hill for 5 minutes of questions.

Mr. HILL. Thank you, Madam Chairwoman, and I thank our witnesses for the really useful information.

Something that is so important to Congress, particularly for Republicans, is assessing, after nearly $4 trillion in appropriated funds plus the strong support of the Federal Reserve System during 2020, how much more targeted relief and, directly, where is our challenge? So Dr. Strain, I really appreciated you sort of assessing that output gap issue, though when you look at the underlying potential and you look at the actual performance and find that gap, based on CBO's, something that the Congress studies quite closely, long-term economic analysis that was released on Monday, is there an appropriate spectrum of stimulus that Congress should consider? In other words, is President Biden's proposal of $1.9 trillion right, or should it be something smaller? Reiterate that point. Let me give you a minute to talk about that.

Mr. STRAIN. Thank you, Congressman. It is really an excellent question. The policy debate seems to have forgotten that Congress just appropriated $900 billion 6 weeks ago, and that money hasn't fully been spent. It is still making its way through the system, and it is going to have a big impact on the economy. That is a larger appropriation than Congress appropriated following the Great Recession that began with the 2008 financial crisis.

There is a risk of Congress appropriating more money than the economy needs and pushing the economy above its sustainable level of production. This risk is amplified by significant growth in the money supply. It is amplified by supply chain disruptions. It is amplified by diminishments and the productive capacity of the economy. It is amplified by the fact that households are sitting on over $1 trillion of unspent savings. And it is amplified by the possibility that when the vaccines are in wide distribution in the second half of the year, households are going to go on a spending spree.

Congress is correct, I think, to be thinking about the economic need, but that needs to be scaled to reflect both the risks of doing too little and the risks of doing too much, and there are real risks of doing too much.

Mr. HILL. Thank you. That is something we talked about in the Congressional Oversight Commission of the CARES Act with the Federal Reserve and the Treasury, precisely that, particularly as it relates to State and local governments, because we don't always count that a great deal of that $4 trillion in appropriated money goes to support our State and local government activities. Thank you for that.

I want to switch subjects briefly. There has been reference to the minimum wage here. I wonder if you agree with former economic adviser to President Clinton and President Obama, Larry Summers, when he says that more Economic Impact Payment (EIP) is not the best use of the economic stimulus at this time. He even cites that it is not effective, and you just referenced that there is $1 trillion out there in additional unspent savings. Can you address that for me?

Mr. STRAIN. Yes. I think that almost any use of half a trillion dollars would be better than giving checks to households who are in six-figure incomes and who haven't suffered any employment loss. More than that, I think a bill that both would increase the Federal minimum wage to $15 an hour, and that gives checks to households who earn six-figure incomes and haven't experienced unemployment loss, really has some moral problems as well. The President's plan would destroy low-wage jobs while boosting middle-class incomes. I don't think that is what Congress should be doing, particularly in a period of labor market weakness.

Mr. HILL. Thank you, Dr. Strain. Let me say that all of this combined, this work, is over 20 percent of GDP, which is a tremendous amount of stimulus. Mr. Spriggs referenced the support for our poor, struggling countries in the world facing the pandemic, and referenced the use of special drawing rights from the International Monetary Fund. Madam Chairwoman, I would like to submit my op-ed in the Wall Street Journal for the record, with your permission.

Chairwoman WATERS. Without objection, it is so ordered.

And the gentleman's time has expired.

Mr. HILL. Thank you, Madam Chairwoman.

Chairwoman WATERS. We will move on. The gentleman from California, Mr. Sherman, who is also the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. SHERMAN. Thank you, Madam Chairwoman. As I pointed out in the Democratic Caucus, Madam Chairwoman, you preside as Full Committee Chair over a committee today of Full Committee Chairs. I will be the only one out of the first six Democratic questioners who does not preside over, of course, our Financial Services Committee, the House Oversight and Reform Committee, the House Small Business Committee, the House Foreign Affairs Committee, or the House Agriculture Committee.

Madam Chairwoman, I thank you for mentioning that we are not safe until we defeat this disease everywhere. There are those who are focusing only, and we should focus on, vaccinating all Americans, but until all 7 billion-plus people in the world are vaccinated, we haven't met our moral responsibility. The world economy is still suffering from this disease, but perhaps most importantly, there are billions and billions of people outside the U.S. who can be infected. That is where the disease will replicate. Whenever it replicates, it mutates, and some of those mutations can lead to more virulence and more contagious disease, and perhaps worst of all, a version of this disease that cannot be dealt with by the vaccines we have developed.

Speaking of vaccines, we did a great job in this country of developing three vaccines, but we initially were throwing away Pfizer vaccines after five dosages came out of a bottle that held almost seven dosages. We threw it away due to the FDA. Now, we are still throwing away vaccine when we could get half a dose out of one bottle and a half out of another. We are manufacturing the vaccine as quickly as we can in the factories of the company that invented it, but no company has licensed one of its competitors to create vaccine in their own factory. And we have just begun testing lower dosages to see their effectiveness, although the bulk of available medical science shows that much lower dosages would be effective, particularly in those under age 55. We have started those studies 8 months late.

I want to thank Mr. Anthony for being here and for pointing out that our municipalities are losing about $90 billion in revenue, that we have a million public sector jobs, and I know there is a study from the Economic Policy Institute that estimates that by the end of this year, we could be losing 5.3 million public sector jobs. Now, that is, of course, a problem for the person who loses their job. It is bad for the economy in that those people aren't able to spend. But I want to focus on the services we lose when we don't have those people working for us. Looking at Los Angeles as one municipality, it spends roughly one-third of the money, more than one-third on public safety, so using that as an example, we are looking at $30 billion less spent for public safety.

So my question, Mr. Anthony, is, if someone in Congress votes against providing revenue to municipalities, are they, in effect, voting to defund our police, because obviously any city that spends a third of its money on public safety, and my city does and most cities do, is going to have to make cuts in all of its functions. And if those cuts are pro rata, we are looking at a $30 billion dollar defunding of our police. Is that a real, practical effect of voting against this bill?

Mr. ANTHONY. Congressman, thank you so much for that question. Local governments have to balance their budgets, and as Congressman Cleaver, a former mayor, knows very well, we will have to look at all of our programs, including our permitting process, and our housing programs. And, in fact, we will have to look at our public safety, fire and police, if we don't get additional funding, because it is essential that we balance our budget. We are not like other levels of government, so we will have to look at that, and I believe that would probably be a difficult thing for us to do, but we would have to look at all of the programs.

Mr. SHERMAN. I would hope that those who vote against this bill will go to the House Floor and say that they are in favor of defunding those municipal services and that they stand by the votes to defund the police. I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from Missouri, Mrs. Wagner, is recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman, and I thank our witnesses for being with us today.

I am going to get straight to it, and I would like folks to keep their answers as brief as possible.

Dr. Strain, in early March, economic data directly pointed to the need for congressional action to support the economy, and by the end of the summer, our economy had stabilized, but small businesses and their hard-working employees needed additional support as they continued to face lockdown measures. Congress acted and provided approximately $3.5 trillion in response to the COVID-19 pandemic, and in the late fall, economic data indicated a downward trend.

In December, Congress, again, acted to provide relief. Today, I am still hearing daily from my constituents who have yet to receive their stimulus checks or who have been unable to apply for the next round of Paycheck Protection Program (PPP) or Economic Injury Disaster Loan (EIDL) loans. If my constituents haven't even gotten access yet to the funds we provided in December, the nearly trillion dollars, $900 billion, how can we expect that useful economic data exists about whether or not another new round of relief funding is even required?

Dr. Strain, do you agree that Congress should rely on quality economic data to identify the weak points in fiscal relief efforts?

Mr. STRAIN. Yes, of course. I agree with that, and I think that there have been some problems in getting CARES Act funds to the households and businesses who need them. The overwhelming majority of the time, those processes work, but there are times when they haven't. And we do know that households have received checks. We know that unemployed workers have received unemployment benefits. We know that businesses have received PPP. But those processes haven't been perfect, I agree with you.

Mrs. WAGNER. The problem here is we are not really getting quality economic data to identify, I think, the weak points in our fiscal relief efforts.

Other witnesses today have focused on the positive impacts of further economic relief, but data shows that there can be negative outcomes, as well, from excessive and mostly untargeted stimulus spending.

Can you please address what specific negative economic impacts may occur, should too much untargeted stimulus be placed into the economy, Dr. Strain?

Mr. STRAIN. There is a risk of the economy overheating. There is a risk of economic demand outpacing growth and economic supply, which can lead to price inflation. That risk, I think, is much more concerning in the second half of this year when people are vaccinated, and they are out there spending money.

Mrs. WAGNER. The Penn Wharton budget model yesterday released a study estimating that nearly three-quarters of economic stimulus checks will go toward savings and will not be used to stimulate the economy.

Are you able to quickly address this study and its results?

Mr. STRAIN. Yes, as a general matter, I think the evidence suggests that if you look at households with income above, say, $75,000, they save the overwhelming majority of the checks they receive, and that savings is kind of a double-edged sword, because it reduces concern about economic overheating, but it amplifies concern about Congress prudently spending money.

There is just no reason, in my view, for Congress to write checks to six-figure households who haven't suffered any employment loss so they can pay down credit card bills or make advance payments on other debts.

Mrs. WAGNER. It is certainly not stimulating the economy. And I want to make the point clear and reiterate again that currently, there is more than $1 trillion of previously-enacted stimulus funding remaining to be spent. These remaining funds include: SBA's PPP program, $280 million; health spending, $239 billion; EIDL loans, $172 billion; unemployment insurance expansion, $172 billion; education funding, $59 billion; State and local aid, $58 billion; stimulus checks, $52 billion; food stamps, $33 billion; Childcare and Development Block Grants, $10 billion; and agriculture, $29 billion.

Should Congress see positively where more targeted support is needed before passing another large stimulus package, that is my main concern here.

I believe I am out of time, and I yield back.

Chairwoman WATERS. Yes, the gentlewoman's time has expired.

I now recognize the gentleman from New York, Mr. Meeks, who is also the chairman of the House Committee on Foreign Affairs, for 5 minutes.

Mr. MEEKS. Thank you, Madam Chairwoman, and thank you to all of the witnesses for your testimony today.

I am going to start out with Mr. Anthony. I heard Mr. Hill state that essentially, we faced an enemy we knew nothing about in the beginning. And I know that my State of New York was one of the hardest-hit States first, and it seemed to me at that particular point, the then-President of the United States basically underplayed what should and what could be done at that particular time, as well as aid to States, I know to New York and to States that were initially hit.

So, my question is, if you had a State like New York, which was hit at a time when no one knew what the pandemic was and how to deal with it, and the States had to take on that burden themselves, can you speak to the budgetary needs of the first-hit States that now need this money, as far as aid to cities and States, as far as them being able to benefit from already, and other States learning from them and the practices that they had to undergo, being one of those first States and earlier States hit?

Mr. ANTHONY. Yes. Thank you very much, Congressman Meeks, for that question.

All of us have indicated that this is a pandemic that none of us was prepared for, and so when we received the CARES Act, as Congress knows, those first dollars went to States and cities with populations of 500,000 or more. And what local governments under 500,000 had to do was to go begging State Governors and others for those dollars to address the problems that they were facing in terms of the implementation of the response.

Cities, the mayors, the councilmembers, rural cities, small and large cities, as you said, Congressman Meeks, as well as States, had to put an infrastructure system together. We did, but yet, we spent money at the city level that we did not have, to respond to the needs, and now we are at $90 billion, estimated, that we have lost, plus all of the employees, 32,000, up to a million employees, we have had to lose, because we don't have the reserves, we don't have the budget dollars.

So, we are just asking that $350 billion be provided to State and local governments to continue helping America return to creativity and jobs and recovery. So, that is the bottom line. We weren't prepared. America wasn't prepared, but we want some additional dollars.

Mr. MEEKS. Thank you for that.

And Dr. Spriggs, many economists have argued that our recovery from the 2008 financial crisis was so slow and drawn out because we did too little with respect to economic stimulus; accordingly, certain communities were disproportionately impacted and lost wealth unnecessarily. So, in your opinion, what is riskier, doing too little by way of stimulus or doing too much?

Mr. SPRIGGS. It is far riskier in this situation that we do too little. We must think big.

The fear of inflation that we heard about, that will occur if we don't do enough. Because if we don't keep workers intact and whole so that their employers can find them, if we let workers become homeless, it will be harder to reconnect workers and reignite the economy.

We have to take care of the workers who are most directly impacted now with adequate support for their rent, adequate support for their income, adequate support for those who fall through the cracks because their unemployment insurance needs drastic modernization.

So, my fear is not that we are going to do too much, it is that we will do too little, and the outcome will be that it will be too difficult to put our labor market back together.

Mr. MEEKS. Thank you so much.

I am out of time, so I will yield back.

Chairwoman WATERS. Thank you so very much, Chairman Meeks.

The gentleman from Florida, Mr. Posey, is recognized for 5 minutes.

Mr. POSEY. Thank you, Madam Chairwoman, and Mr. Ranking Member. It is good to be back here on the Financial Services Committee again in this new Congress, and thank you for holding this hearing today.

The events of last year have been like nothing we have ever experienced in our lifetimes. The pandemic has brought intolerable suffering and lasting economic harm.

In this time of pain, Congress has to help so many Americans, and Congress has enacted over $3.5 trillion in relief for people who, through no fault of their own, faced unemployment, shutdowns, and the inability to pay rent, put food on the table, and hold their businesses together.

I know all of the Members have worked very hard to help people access COVID relief programs, and I am proud to be able to help my constituents figure it out. But as I have said, we have spent $3.5 trillion on COVID relief since last spring. During Fiscal Year

2020, our deficit was $3.1 trillion. Since October 2019, the Federal debt held by the Federal Reserve has grown from $2.4 trillion to nearly $4.9 trillion by the end of the third quarter of last year.

That means that during this period, the Fed monetized about $2.5 trillion of added debt spending. We have been financing up to two-thirds of our debt by running printing presses. Since new relief spending will come at the expense of borrowing money from the Fed, I support proposals to moderate the next round and target such spending on families and workers who need it.

I am particularly concerned about initiatives to provide extraordinary assistance to State and local governments, and I would like to ask Dr. Strain if it would be fair to replace COVID-19-related revenue losses of all of the States, dollar-for-dollar? Wouldn't it be unfair to the States that have a more balanced approach to government and its size?

Mr. STRAIN. Thank you, Congressman.

I think that it is appropriate for Congress to help State and local governments with revenue losses, but that help should be tied to pandemic-related revenue losses. So, Congress should not bail out States that misuse rainy-day funds. And Congress certainly shouldn't bail out mismanaged pension funds.

But I think an amount close to $100 billion would be appropriate for Congress to give to States and localities, many of whom really are in need. My concern is that not doing so will act as a drag on the national economic recovery, because States and localities won't be able to hire back workers they have laid off.

Mr. POSEY. Thank you very much for that answer.

How do you think we should go about determining the amount of the distribution?

Mr. STRAIN. A formula could be created that looked at where State revenues were on the eve of the pandemic, and then attempted to estimate how States actually fared, relative to reasonable projections that, again, focused on pandemic losses.

Some States wouldn't need much money at all. Some States have seen sales taxes recover, and have good income tax revenue. But there are some States, particularly States that rely a lot on tourism or that rely on more in-person services, that have taken a big hit as a consequence of the pandemic, and I think it is appropriate for Congress to help, if for no other reason than to support the overall national recovery.

Mr. POSEY. I agree, and I thank you for that.

What do you think the major items should be and how should we estimate them, do you have any thoughts on that?

Mr. STRAIN. Congress has already appropriated several hundred billion dollars to States and localities. Much of that funding is for specific programs, for example, for the Medicaid program. I think what is needed now is to give States more discretion so they can fill in the holes that are unique to their States and localities.

Mr. POSEY. Thank you very much.

Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Georgia, Mr. Scott, who is also the chairman of the House Committee on Agriculture, is recognized for 5 minutes.

Mr. SCOTT. Thank you very much, Madam Chairwoman.

This is a great hearing. Let me just sort of get right to the point here.

Earlier on, Chairwoman Waters had asked me to kind of zero in on helping with the HEROES Act and the preceding stimulus packages on the housing relief for homeowners. And so, we put a package together that would get, I think initially, I forgot the figure now, but right now, that figure is at $25 billion for rental assistance. We started out with some higher numbers.

We also wanted to get money in to help with utilities. So, right now, it is $5 billion for aid to help keep the water and the lights and the electricity on.

But then when we got down to the mortgage assistance, we are still in a process of trying to get that in. So, Mr. Anthony, I want you to comment on how important it is.

And we also have to understand one of the reasons is that Chairwoman Waters and I were here back during the time, and I think it was 2008 when they had the Wall Street breakdown, and we put the Hardest Hit Program, which dealt with keeping folks in their homes. This is critical, but right now, we don't have anything there.

I wanted to share with the committee what the progress is on that right now. Our House Financial Services Committee, the Senate Banking Committee, and the White House right now are trying to get language in.

So, I wanted to get your opinion, Mr. Anthony, because, even with some of the money that we have gotten in this area, even back in 2008, 2010, it went to the State to be able to implement it down to the cities to get that help. But I got inundated with calls, and still am, because there is a failure of the State working effectively with our cities in terms of getting the money to our cities. And as I understand it, part of that money was even left on the table because there was a deadline put on that money because of the population thresholds. Only three governmental units in Georgia were able to get that money—Cobb and Fulton Counties, and the City of Atlanta—because of that population threshold.

So, my point is, give us an update on how tragic this is to get money down to give to the cities and towns. I represent 48 cities and towns and we are having difficulty in getting that.

Can you tell us what we need to do to correct that problem and make sure we are getting that money out to our cities and municipalities?

Mr. ANTHONY. Yes, thank you very much, Congressman Scott, for that question.

The issue was that the dollars, again, went to cities of 500,000 or more population. And it was very challenging to get through the bureaucracy of working to get it down to the people from the State, and then to the county, and then to those cities.

And some of these cities in some States, for example, Iowa, had no cities that qualified for direct funding. And then there are other States that may have had one. South Carolina had one city, Columbia, South Carolina. And we had other States, again, that may have had two cities.

But the issue is, these cities, small and medium-sized cities, can, in fact, use the Community Development Block Grant formula to get direct funding so they can get it out and solve some of these issues.

The rental assistance program had like 40 million people right now that are on the brink of eviction. So, I will stop there, Congressman.

Mr. SCOTT. Yes, thank you very much.

In my remaining seconds, I want everybody to know, also, that we have a food shortage. We have a hunger problem here. As chairman of the Agriculture Committee, I want you to know that we are going to be in a bit of a fight, because we want to raise the Supplemental Nutrition Assistance Program (SNAP) allocation to 20 percent, 15 to 20 percent. I feel very strongly we are going to need that, and I just hope everybody is ready to fight that battle.

We will be having a hearing on it, on food insecurity in about 3 weeks.

Chairwoman WATERS. The gentleman's time has expired.

Mr. SCOTT. Thank you, ma'am.

Chairwoman WATERS. You're welcome.

The gentleman from Michigan, Mr. Huizenga, is now recognized for 5 minutes.

Mr. HUIZENGA. Thank you, Madam Chairwoman. I appreciate that. And I am sorry if I am going back over a little territory here with Dr. Strain, but I want to just make sure that we are covering this.

Dr. Strain, what actions do we need to take here that could best provide a boost to the economy? Is it direct payments? Is it additional unemployment insurance? Is it ultra-low interest rates, which we are seeing? What is it that would actually provide the biggest boost?

Mr. STRAIN. Thank you, Congressman.

I think the direct payments would be a mistake and an imprudent use of government spending. The unemployment benefits the President is proposing actually would hold the recovery back by keeping people unemployed for longer.

The $15-an-hour minimum wage would significantly reduce employment opportunities. The Congressional Budget Office estimates that it would reduce employment by over 1 million jobs for low-wage workers.

The best things that Congress can do in my view are to make sure that we can actually get vaccines into people's arms, to make sure that we can test people for COVID-19, to make sure that households that really are in need, vulnerable households that really have suffering, can get the help that they need, not households with six-figure incomes who haven't had any employment loss, and I think that it would be appropriate for Congress to help States and municipalities to the tune of around $100 billion.

Mr. HUIZENGA. How would you do that for those families, how would you determine those families who do need that economic help and support, that safety net?

Because I tend to agree with you, I think there are a number of families who are doing just fine, who are going to be receiving these payments.

Mr. STRAIN. We could use the mechanisms that we already have in place to help low-income families. The food stamp program is very well-targeted. The Earned Income Tax Credit is very well-targeted on low-income households. Making the Child Tax Credit fully refundable for 2021, I think, would be perfectly appropriate.

So, the existing programs that we have that target low-income households, I think, can be utilized in this instance.

Mr. HUIZENGA. Okay. You brought up the unemployment insurance situation, and Dr. Spriggs from AFL-CIO, the last time he appeared here, I brought up the $600 payment, that kicker, that Federal kicker that was brought up. He had made the claim, 3 claims kind of spaced out, that that was the only way that people were able to pay their bills at that time. It may or may not be true.

He then moved on to the fact that, and said that, I believe the term he used was this was about racial inequality or inequity that had been present in the economic system that we were dealing with.

And then the third thing that he said was that employers, and this was the word he used, "refused" to keep their employees safe in work conditions.

And so, Dr. Spriggs, I am just curious, do you stand by those statements now, a number of months later?

Mr. SPRIGGS. I don't stand by your characterization of my words, but I stand by my words and I will put them in testimony again.

Mr. HUIZENGA. I am not sure—

Mr. SPRIGGS. It is still the case that because of the racial wealth gap, Black and Latino households have no liquidity. And in a situation where they lose jobs—

Mr. HUIZENGA. Reclaiming my time—

Mr. SPRIGGS. —if you give them unemployment insurance—

Mr. HUIZENGA. Reclaiming my time—

Mr. SPRIGGS. —they will rapidly try and gather up precautionary savings—

Mr. HUIZENGA. Madam Chairwoman?

Mr. SPRIGGS. —and the $600 is still necessary—

Mr. HUIZENGA. Can you—

Mr. SPRIGGS. —to make up for that inequality.

Mr. HUIZENGA. Reclaiming my time, so, do you stand by the fact that employers refuse to keep their employees safe in the workspace?

Mr. SPRIGGS. My statement didn't say that. It said that they were not safe.

Mr. HUIZENGA. No, you—

Mr. SPRIGGS. My statement said that they were not safe and the evidence is clear. I provided in my written testimony that the disparities that are going on for low-income workers—

Chairwoman WATERS. The time belongs to—

Mr. SPRIGGS. —specifically in California—

Chairwoman WATERS. Mr. Spriggs, the time belongs to—

Mr. DAVIDSON. A point of order, please, Madam Chairwoman?

Chairwoman WATERS. —Mr. Huizenga.

The time belongs to Mr. Huizenga. Please continue, Mr. Huizenga.

Mr. HILL. Can we put 10 seconds more back on the clock, Madam Chairwoman?

Chairwoman WATERS. Yes, we can. We will. No problem.

Mr. HUIZENGA. Madam Chairwoman, that was the word that he used, "refused," so he may or may not stand by those statements.

But I am curious, if $600 a month wasn't enough, the AFL-CIO supported the last package, to my understanding, that had $300 through the end of March. It is now going to be $400 if the Democrats move ahead with the Biden-only plan through the end of the year.

And I am curious, if $600 wasn't enough a couple of months ago, how in the world could the AFL-CIO support something that is less than that now? It seems to me, that is politics.

So, Dr. Spriggs, I don't know if you care to respond, but now I will give you the time.

Chairwoman WATERS. Thank you.

The time has expired.

The gentleman from Texas, Mr. Green, who is also the chairman of our Subcommittee on Oversight and Investigations, is recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman. I greatly appreciate your opening comments, because I would like to associate myself with this issue that assistance is something that is of paramount importance. We have circumstances wherein persons who are about to be evicted are about to be evicted by properties that are owned by mom-and-pop landlords, people who don't necessarily have a mortgage, but they need the income to sustain themselves. The rent must be paid.

The best way to deal with these issues associated with eviction would be for the rent to be paid. It obviously benefits the tenant, because the tenant maintains a home, but it also benefits those mom-and-pop landlords who need this income to sustain themselves. The rent must be paid.

The $25 billion that we have proposed that is in this package is another down payment. It is a continuation of what must be done.

I don't know what the duration of the pandemic will be, but the duration of the suffering is still at the level it was previously, notwithstanding our efforts to help, because, as has been indicated today, some 40 million may be on the brink of eviction. Nobody knows what the real number is; I have heard numbers higher, and I have seen some lower. But the point is, people are on the edge. They are living on the margins, and we must pay the rent.

Having said this, I do want to concern myself now with the $1.4 trillion-plus package or tax cuts in 2017: $1.4 trillion went to some of the wealthiest people in this country. There were no hues and cries about, we are paying them too much and they are getting too much money in their pockets.

They were not suffering. Their rent was paid. There was no pandemic. Their car notes were paid. But they were not persons who needed to have some infusion of cash for some specific reason. We never heard from people who were complaining about this from the other side.

My dear friends, if there is a moral question about someone who is getting a six-figure income and we are talking about maybe

$150,000 for them, too, where is the moral issue associated with putting millions upon millions in the pockets of persons who are wealthy, who did not express a need for it?

In fact, many of them said, don't do this, I don't need the money. Many of them did, but we did it, notwithstanding their hues and cries.

So, I just believe that at some point, we have to understand that it is not a sin for people in the working class to get help, because it wasn't a sin, by some standards, for people who are in the upper class to get help.

So, Mr. Strain, my question to you is this: What was your position on the wealthy class, the healthy class, what was your position when they were getting these tax breaks in the millions?

Mr. STRAIN. Thank you, Congressman.

My position on the 2017 tax law is that the corporate provisions, I think, were very good. I have some issues with the individual-side provisions. So, I don't think I am—

Mr. GREEN. I have been doing some research, and I haven't been able to read where you expressed those concerns.

Do you have a White Paper that you have written that expressed those concerns?

Mr. STRAIN. I believe that I expressed those concerns a bit in commentary and in media interviews, certainly behind-the-scenes, as well. I don't think I am the forefront—

Mr. GREEN. I can appreciate behind-the-scenes, but a lot of what we have to do to have an impact has to be open and notorious. You are here, openly and notoriously, expressing your concerns about the morality associated with working-class people getting some help. I didn't see that in my research, openly and notoriously, for the wealthy class.

And with reference to the tax cuts to the corporations, do you believe that corporations should have received those tax cuts and still keep those tax cuts?

Mr. STRAIN. Congressman, I reject your characterization—

Mr. GREEN. Seconds left—

Mr. STRAIN. I reject your characterization of reducing tax rates—

Mr. GREEN. My time has expired.

Mr. STRAIN. —as giving a handout to anyone.

Mr. GREEN. My time has expired.

Mr. STRAIN. I also reject your characterization of my views and I—

Chairwoman WATERS. The gentleman's time has expired.

The gentleman from Ohio, Mr. Stivers, is now recognized for 5 minutes.

Mr. STIVERS. Thank you, Madam Chairwoman. I appreciate you holding this hearing.

The most important issue facing us, Madam Chairwoman, as you know, is recovering our economy and moving past COVID-19 and getting our kids back in schools, getting our businesses open, setting the conditions to make that happen, to have sustainable growth in the future, and to mitigate the suffering in the meantime.

So, I am curious, Dr. Strain, do you think opening the economy is the best long-term solution toward our economic growth?

Mr. STRAIN. Thank you, Congressman.

I think there is really no question about that. Once we get the virus under control, and once we get people vaccinated, there is every reason to believe that the economy will bounce back—

Mr. STIVERS. Okay. Thank you, Dr. Strain.

Mr. STRAIN. —very strongly. And—

Mr. STIVERS. Thank you.

I only have a short amount of time, and I would like to ask Mr. Anthony, Mr. Johnson, Ms. Murguia, and Mr. Spriggs, do you all support vaccinations, one at a time, quickly, yes or no?

Mr. ANTHONY. Clarence Anthony, I personally support it and I educate people to take it, but it is their decision, especially in the Black and—

Mr. STIVERS. I am not asking about mandatory vaccines. I am asking if you personally support vaccinations. Thank you.

Mr. Johnson?

Mr. JOHNSON. Yes.

Mr. STIVERS. Thank you.

Ms. MURGUIA. Yes.

Mr. STIVERS. Mr. Spriggs?

Mr. SPRIGGS. Yes, I do.

Mr. STIVERS. Thank you.

I want to be clear: I am not for mandatory vaccinations for people who have religious or personal problems with it, but I want to educate, and I think that vaccinations are the fastest way forward. By the way, I did put forward an idea a couple of weeks ago, that I have since walked away from, of tying the stimulus payments to the vaccinations.

But I would like to talk to Mr. Johnson about vaccinations. I read in a front-page story in the Columbus Dispatch that in Ohio, the vaccination rates among minority communities were lower than majority communities.

Is there something we should be doing in this bill to help support vaccinations, whether it is a PR campaign; again, I am not for mandatory vaccinations, but is there something that we could do? Is it a distribution issue? Have you dug into that issue, Mr. Johnson, about what is going on? Is that an anomaly in Ohio or is that happening around the country? Is there something that we need to do?

Because I believe vaccinations are one of the fastest ways to open the economy.

Mr. JOHNSON. First of all, that is the reality across the country. It is a trend we have seen that African-American communities have been disproportionately left out of the vaccination opportunities. In this bill, we should prioritize those communities who have been hit hardest first to ensure that we get those individuals who are critical workers, who are providing the support.

Second, in this bill, there should be a robust communications plan investing in African-owned media, and Latino-owned media to talk to some targeted communities, and then American-owned media to talk to targeted communities to ensure the proper education is provided.

Mr. STIVERS. Thank you. I really appreciate that.

We need a partnership with really trusted organizations like the NAACP, Mr. Johnson, as we pursue this.

I have seen some conspiracy theories on social media about Hank Aaron's death that don't appear to be based in fact, and I would like to make sure that we address some of those issues, too. Because while it is true that Mr. Aaron got the vaccination and passed away, I don't believe, and doctors that I have seen interviewed have said there seems to be no correlation between the vaccination and him later dying.

So, is that an issue in the minority community, Mr. Johnson?

Mr. JOHNSON. There are some historical questions that many would like answered, but that is the part of education that must take place. We stand ready to partner with you or the committee or anyone in general to ensure that people are educated around their options, which is most crucial, and in doing so, we could find ourselves getting out of this pandemic much quicker if we target impacted communities.

Mr. STIVERS. Are we doing enough with testing? Are African Americans represented enough in the FDA's tests? Is that an issue, Mr. Johnson?

Mr. JOHNSON. There is a huge disparity in clinical trials in terms of the demographics of African Americans and Latinos. So, we must increase that, as well.

Mr. STIVERS. I would like to work—

Chairwoman WATERS. The gentleman's time has expired.

Mr. STIVERS. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you.

Mr. STIVERS. I am committed to working with everybody on those issues. Thank you.

Chairwoman WATERS. The gentleman from Missouri, Mr. Cleaver, who is also the Chair of our Subcommittee on Housing, Community Development, and Insurance, is now recognized for 5 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Madam Chairwoman, I am so glad to have Mayor Anthony with us today. We were mayors back in the day. He started a little earlier. He was there at the age of—I think, in his 20s. But I would like to talk with him and Ms. Murguia.

Mayor Anthony, we have a problem in Congress that you can recognize, maybe most, which is that the Federal Government leans towards Governors, because most of the people who come from other divisions, they come from State legislatures, State senates, and there are only a few of us who were mayors, and so we tend to do dumb things like, the first CARES Act only wanted to give direct grants to cities populated over 500,000. We did fix that, however, but the other thing it might be important for people to remember is that there are 27 States in our union that don't have any cities populated over 500,000.

Mr. Mayor, there seems to be this resistance, particularly on the Republican side, of giving money to cities and States in our package.

What would you say to them or what can you say to them right now in terms of that need and what happens if they don't do it?

Mr. ANTHONY. Thank you, Congressman Cleaver, for that opportunity to respond.

What we are seeing, again, is a loss of jobs and loss of ability to respond to the COVID-19 pandemic that exists specifically in the neighborhoods and the communities of rural, small, as well as urban communities. And I think that the misnomer here is that we are looking for a bailout.

What we are saying is if we are going to get back on track in America, we must give some support to the level of government directly to respond, and to create the jobs, and to be able to help the small businesses, and minority-owned businesses, help those that have been left behind. So, that is the bottom line here. We were overlooked in the last bill, because we did not get direct dollars.

I am just asking that we get a partnership with those mayors and councilmembers of towns and villages of all sizes to get them the dollars, Congressman.

Mr. CLEAVER. Amen.

Ms. Murguia, I am not going to mention that you are from Kansas City, I am not trying to rub that in to people, but what I would like for you to address is that Black and Brown people end up being disproportionately on the front lines of holding the country together, but we are on the back lines of receiving the vaccines.

But even before that, there has been always this resistance about increasing the minimum wage. Has your organization taken a position yet on the minimum wage, which we do have in this package?

Ms. MURGUIA. Thank you, Congressman, for your leadership. We absolutely support a $15 increase in the minimum wage. We understand that an unfair minimum wage disproportionately affects people of color, including Latinos and African-Americans, many of whom are often concentrated in low-wage jobs; for instance, 34 percent of Latinos are earning below poverty-level wages.

And we know, also, that Congress has not raised the Federal minimum wage in quite some time. It is currently at $7.25 an hour, and has been since 2009. So for us, we absolutely understand how increasing that minimum wage can help provide needed economic support for these communities who have been disproportionately impacted, and not just by the pandemic, as I highlighted in my testimony.

Even in pre-pandemic times, we had seen significant challenges in terms of income and equality and those underlying conditions that are systemic that have kept our communities from being full participants in the economy. So, we absolutely believe that minimum wage has to be part of a robust recovery and we support it.

And I will just build quickly, the States and localities, part of that ecosystem, as you know, Mr. Mayor, Congressman, is the ecosystem of community-based organizations that are key links to communities of color for services. And so, Guadalupe Center or the Mattie Rhodes Center or El Centro, those are all key to providing important services in this particular time, and need that funding, as well.

Chairwoman WATERS. The gentleman's time has expired. Thank you.

The gentleman from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you, Madam Chairwoman.

And for all of the Americans who are watching this hearing online or on television, I want to be clear-eyed about what the Biden Administration and my Democrat friends are doing this week. This week, Democrats are using a budget procedure originally designed to cut spending, to pave the way for a massive spending spree that, with interest, will add over $2 trillion to the national debt, despite the immediate availability of over $1 trillion in unspent funds from the CARES Act, and a $900 billion relief bill passed less than 2 months ago. That bears repeating: Over $1 trillion in unspent funds are immediately available for the American people.

I would hope that all of us, on a bipartisan basis, would focus on actually deploying those funds before we rushed to saddle future generations of Americans with an additional $2 trillion in debt.

But one thing we absolutely must do is, do no harm. I want to explore this minimum wage hike that is included in this bill, because at a time when so many workers, and especially low-wage workers, the minority workers that Ms. Murguia was just talking about, are struggling, one thing we absolutely should not do is force those workers to lose their only source of income.

And Congress went to great lengths through the PPP to ensure that small businesses could keep their employees on the payroll, yet this proposal from President Biden and Congressional Democrats to raise the Federal minimum wage to $15 per hour, without any adjustments based on regional differences and cost-of-living, would compromise those efforts.

According to the CBO, 1.3 million low-income workers will lose their jobs because of this misguided proposal. I want my friends, my Democrat friends who support this policy, who are well-intentioned, who want to help low-income workers, and I share their goal, but I want them to hear what I was told by my local restauranteurs, a sector of the economy that has been devastated by this pandemic. I have talked to big restauranteurs with 1,800 employees across all of their restaurants, and then in some cases, a small restauranteur, who owns two restaurants in a very low-wage, low cost-of-living county, Estill County, in my district, and they said it would be "catastrophic." Those two restaurants would close as a result of this because of the low cost-of-living. Those 40 employees would lose their jobs.

And the large restauranteur in Lexington, Kentucky, told me that because of this policy, his business would lose 70 percent of their profits and the result would be "carnage" for the tipped employees in his business.

So, Dr. Strain, what would be the impact on low-income workers, especially those in the distressed restaurant sector, with this across-the-board hike in the Federal minimum wage that would destroy jobs?

Mr. STRAIN. Thank you, Congressman.

Your characterization is correct. I think CBO's estimate of 1.3 million is actually on the low side. There are three States where the median wage is below $16.50, where half of all workers earn less than $16.50. There are two dozen States where half of all workers earn less than $18 or $18.50 an hour. And in 47 States, over one quarter of workers earn less than $15 an hour.

So, this would be extremely disruptive, particularly in low-wage States. But when you think about low-wage States, think about approximately half of the States.

Mr. BARR. Can I just reclaim my time quickly, because I know my Democratic colleagues do very much care about, just like we do, these low-income workers, but the reality is, in the restaurant sector, in this past year, nearly one in every five restaurants permanently closed their doors, and over 30 of the country's largest retail and restaurant companies have filed for bankruptcy.

Is this the time? Is this really the time to put greater stress on those employers in their ability to retain workers?

I think this is a devastating policy that will destroy jobs and kill peoples' ability to stay employed. And with that, my time has expired, and I yield back.

Chairwoman WATERS. Thank you, very much.

The gentleman from Colorado, Mr. Perlmutter, who is also the chairman of our Subcommittee on Consumer Protection and Financial Institutions, is recognized for 5 minutes.

Mr. PERLMUTTER. Thanks, Madam Chairwoman.

And I have to start by saying to my friend, Mr. Barr, I am your "Democratic" friend. I am not your "Democrat" friend. It is the Democratic party. It is not the Democrat party. I don't call you my "publican" friend or "banana republican" friend. You are my Republican friend.

So, please, I am your Democratic friend. It is the Democratic party. Thank you.

Now, many of my questions have been answered and I thank the panel, all of you; you have been excellent witnesses. I would just like to confirm with you, Dr. Strain, and with you, Mr. Anthony, some numbers that you guys testified to, as to the need for backfilling, to some degree, State and local governments.

Dr. Strain, in my notes, I have that you said a $100 billion for State and local governments probably is your ballpark number; is that right?

Mr. STRAIN. Yes, Congressman. I think that would be appropriate to the need.

Mr. PERLMUTTER. Okay. And Mr. Anthony, the number that I had for you was $350 billion; is that correct?

Mr. ANTHONY. That is correct, Congressman.

Mr. PERLMUTTER. Okay. Thank you.

I turn my attention to you, Ms. Murguia, even if you are from Kansas City, which is a shame, and to you, Mr. Johnson. In Colorado, we noticed an uptick in calls to our housing hotline in terms of evictions and mortgage delinquencies. Within the Hispanic and Latinx communities, within the African-American community, have either of you seen an uptick in concerns about delinquencies, either with rentals or in homeownership?

And I will start with you, Janet Murguia from Kansas City. I shouldn't be messing around with Kansas City, but Mr. Cleaver always makes me crazy about that.

Ms. MURGUIA. Well, go, Kansas City Chiefs, on Sunday, just to add another point of emphasis there.

Look, you are right, Congressman. There is no question that our communities are being impacted very seriously by the rental and the foreclosures or mortgage challenges. It is one of the reasons that in my written testimony, I really went to great lengths to talk about the importance of housing counseling programs. They can provide that on-the-ground resource where folks can call and turn to trusted partners and advisors, and we can provide linguistic and culturally competent information.

And that information is so important right now as they are navigating the crisis, the confusing messages about what they can and can't do. It is essential that we expand and deepen resources for those types of housing assistance programs, in addition to funds that will help extend eviction moratoriums and also mortgage relief for some of these individuals.

I found that our network of community-based organizations, the UnidosUS Affiliate Network, has been extremely effective when we have the resources to be able to engage on the ground, because we are seen as trusted partners and we can give them that important information. But it is essential that those services be funded as part of this recovery.

Mr. PERLMUTTER. Thank you.

And Mr. Johnson?

Mr. JOHNSON. I absolutely agree with Janet, and I also agree with Congressman Green that there is some immediate need, not only for the home renters who actually work every day, but for this pandemic, but also for the homeowners who are providing access to home rental as a supplemental income opportunity. It is absolutely vital to provide support as soon as possible.

Mr. PERLMUTTER. Thank you.

And I would just like to say that I tried cross-examining Jim Jordan in the Rules Committee on Zoom the other day. It didn't work very well. Cross-examining witnesses on Zoom or on Webex is hard and everybody should just remember that.

I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Texas, Mr. Williams, is recognized for 5 minutes.

Mr. WILLIAMS OF TEXAS. Thank you, Madam Chairwoman.

In December, Congress passed a bipartisan $900 billion COVID relief bill, which brings the 10-month total on coronavirus relief to $3.5 trillion. Now, this means we have spent more money on COVID relief in less than a year than the entire GDP of Germany, France, or India.

It is not sustainable or realistic to think the Federal Government can continue this pace of spending to keep propping up the U.S. economy, while States are forcing businesses to remain closed. The only way to get out of this pandemic with our economy still intact is if we end the lockdowns and put people back to work.

Dr. Strain, I am going to have 3 questions for you. This will be the first one. Can you give us some examples of policies we can be examining in Congress that would incentivize reopening the economy, that would not require, I repeat, not require additional Federal spending?

Mr. STRAIN. Policies that would not require additional Federal spending?

Congressman, I think there is a need for some additional Federal spending, to advance your goal of reopening the economy, and to get shots in arms, to distribute the vaccine much better than we have seen so far.

I also think that despite the rollout of the vaccine, a more adequate testing regime would go a long way toward reopening the economy, as well. So, I think those sorts of measures would do what you want, but they would cost some money.

Mr. WILLIAMS OF TEXAS. What about liability protection for businesses?

Mr. STRAIN. Yes, Congressman, I think that is an important component. I think you don't want to give businesses blanket immunity. You want businesses who are grossly negligent to still be liable.

But businesses are faced with sometimes conflicting guidance. They are faced with guidance that is changing relatively rapidly. So, I think if you are a business and you make a good-faith effort to follow public health guidance, that a temporary liability shield from frivolous pandemic-related lawsuits would be very appropriate and advisable.

Mr. WILLIAMS OF TEXAS. Thank you.

Secondly, if my friends on the other side of the aisle are intent on passing another COVID-19 relief package, they should prioritize reopening the economy, as we've talked about, and getting people back to work. But, instead, they are looking to include completely, I think, unrelated liberal policy priorities such as increasing the minimum wage to $15 an hour. We have talked a lot about that.

And I just got out of another committee hearing with a small business where they had 3 witnesses who all said it would be a disaster to increase the minimum wage to $15. I am a small business owner in Texas, and I have some experience in that. It would be a real problem.

Now, Jim Clyburn said back in March that this virus is a tremendous opportunity to restructure things in their vision. Now, the Congressional Budget Office, as we have already heard today, estimates an increase in the minimum wage to this level could cause over a million workers to lose their jobs, and it is crazy that a job-killing policy is being considered in the middle of a pandemic.

So, Dr. Strain, can you discuss how increasing the minimum wage could affect the rate of the automation in our workforce?

Mr. STRAIN. Yes, Congressman.

I think the CBO estimate of over a million jobs lost is a reasonable estimate. I think it is actually too low, given the fact that we are talking about an increase during a period of labor market weakness.

I think economic research shows that when the economy is weak, that the job loss from a minimum wage increase is higher than in normal times. So, I think it really would be a significant, significant mistake, that would accrue to the detriment of low-wage workers.

You asked about automation. The plan to phase this in over a 4- or 5-year period, I think, on the one hand, blunts the impact, but on the other hand, if you are a small business owner, you know that you are in for a period of 4 or 5 years where every year, your labor costs are going to go up and up. So, that really, I think, will encourage businesses, since they know they are looking at a sustained problem that is going to grow every year, that will encourage businesses to think about how they can produce goods and services with fewer workers and that will increase the use of automation.

Mr. WILLIAMS OF TEXAS. Thank you very much.

And Madam Chairwoman, I yield back. Thank you.

Chairwoman WATERS. Thank you very much.

The gentleman from Illinois, Mr. Foster, is recognized for 5 minutes.

Mr. FOSTER. Thank you. Ten years ago, when we were preparing the stimulus bill to revive the economy in response to the previous economic collapse that the previous Republican Administration had left us with, we were greeted with terrifying predictions that the stimulus spending would trigger hyperinflation, huge increases in government borrowing costs to debase our currency, and on and on. I can't remember how many hearings we had on this subject.

And in the 10 years since those predictions, of course, we saw something very different, actually historically low inflation and low borrowing costs. And I was wondering, I guess starting with Dr. Spriggs, what has been learned in that 10 years about what is wrong with these predictions that are being made in response to stimulus spending during times of economic stress?

Mr. SPRIGGS. We learned from the Great Recession that we gave too little, and that was an error, and we are trying not to repeat that. Where we stand right now is where we were at the depth of the Great Recession. Congress already responded in March with a very substantial package, to recover from what was even worse than where we are now.

But it slowed down. In December, we lost jobs. And one of the things that we know was weak from the recovery during the Great Recession was that we didn't pay attention to State and local government. We lost jobs in the State and local government sector, we left that sector weaker, and we don't want to repeat that going into this recovery, and we need those workers so we can go door to door, and we can call people. The idea that we are going to use computers and people getting online and setting up appointments is not going to reach the communities that we need to reach. It is not going to reach rural communities that don't have internet. It is not going to reach small cities where internet isn't that strong. We need local government to have the people in place to really reach the people, and to make sure that going forward, we have a more robust recovery.

Mr. FOSTER. In the 10 years that we have had to study the response to the last stimulus—it contained a variety of different measures, and if I recall properly, roughly 40 percent of that stimulus was tax cuts, some of which actually went to very wealthy people and some to the working class.

What have we learned about the benefits of things like tax cuts for the wealthy, compared to assistance to working-class families, in terms of the bang for the buck, in generating GDP in response to a crisis, which is more effective?

Mr. SPRIGGS. We had a much bigger fiscal multiplier by helping those with lower incomes, and one of the problems from the recovery during the Great Recession was that we didn't get wages to rise. Wage growth was very slow, until State and local governments stepped in and marched us towards $15 an hour. So, we have to understand that the call to raise the Federal minimum wage to $15 an hour is not the whole country, because the whole country is on an uneven path, and those States that aren't on that path disproportionately have Black workers. There is a racial equity issue here because Black workers have not seen their wages respond as quickly since the Great Recession, and it is in large part because we ensured stronger, safer economies by doing that.

We have studied, as economists, raises in the minimum wage. All of these claims of job losses in restaurants is not what we find in the evidence. The claims by the CBO have to do with workers who maybe work two jobs, and are asked to deal with substitution within the household, where maybe the wife decides she doesn't need to work if the wages are higher. So, it is not that we mean fewer jobs. It is that some workers may be able to cut back on their hours.

Mr. FOSTER. Thank you, and I understand there is another large effect that if you provide economic benefits to those at the top of the economic scale, instead of spending in the local economy, they are much more likely to basically turn it over to their investment advisors who will advise them to diversify, and roughly one-third of that money will be invested offshore, which I think is another new argument about the benefits, of targeting the benefits at the working families who need it the most.

I am done here, and I yield back.

Chairwoman WATERS. Thank you. The gentleman from Georgia, Mr. Loudermilk, is recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman. I am surprised that my colleagues on the other side of the aisle have all of a sudden felt the need to rush through this partisan COVID relief package, when the Speaker actually held up the last one for over 6 months. We all know that was done purely for political reasons, to hurt the other President politically in his campaign. But now, all of a sudden, this is an emergency that we have to get it out.

There is over $1 trillion of the last several packages still unspent. Senate Democratic leader Chuck Schumer recently said it makes no sense to pinch pennies when so many Americans are struggling. I would argue that it makes no sense to spend another $2 trillion when there is still more than $1 trillion of unspent funds from the other packages.

The CBO projects that the December package will grow the economy 1.5 percent faster in 2021 and 2022, and less than 20 percent of it has been spent. We should let that package work and see what else is needed before rushing to pass a colossal waste of $2 trillion. I appreciate that President Biden and other Democrats have called for unity and have spoken of the need for job growth, but actions speak louder than words. They are pushing a hyperpartisan package, and quite frankly, we voted yesterday on a budget, and the Budget Committee has not even been organized yet. There has been no input from Republicans. There is no bipartisan agreement here. This is being ramrodded through and it is a package that could destroy, and I believe will destroy, millions of American jobs.

Here is my question. Mr. Strain, there is an old saying that you don't raise taxes during a recession. I would argue that you don't raise the minimum wage during a recession either. CBO estimates that a $15 minimum wage would destroy 1.3 million jobs. It would disproportionately increase employment for part-time workers and those without a high school diploma and raise the cost for small businesses, and the small businesses are the ones that have been hurting the most because of the government shutdowns. Those are the people we should be helping. It is unconscionable that Congress would pass a policy to destroy so many jobs when we are trying to recover the economy.

So, Mr. Strain, can you explain why now is not the time to raise the minimum wage?

Mr. STRAIN. Thank you, Congressman. I agree with that. I think there are several reasons why raising the minimum wage in a period of labor market weakness leads to a larger amount of employment loss. Businesses are just more willing to make those kinds of changes to the way they produce goods and services when the economy is weak, and when the economy is weak, of course, there is less demand for businesses, products, and services to begin with, which also makes them more inclined to change the structure of their labor forces.

I think it is actually maybe even a little bit worse than you characterized, Congressman, because the same CBO report that found 1.3 million job losses also found that a $15 -an-hour minimum wage would slow economic growth. And so, I just think that there are many reasons why you don't want to raise the minimum wage to $15 an hour, and raising the minimum wage to $15 an hour during a period of elevated unemployment is adding insult to injury, I think.

Mr. LOUDERMILK. Thank you. I agree with you there, and there is another provision in here that gives me grave concern. Back in August of last year, I was visiting with several of our local governments, and one of the county commissioners came to me and said, "Look, please do something for us. Will you stop the unemployment subsidies? We don't want any handouts from Washington. We want you to stop the subsidy because we can't get our county employees to come back to work because they are making more money being on unemployment than they were being paid at their jobs," which, according to the economy in northwest Georgia, they were making good money there. Four hundred dollars is keeping people out of work and it is hurting our economy.

Do you agree with me that extending this $400 subsidy for nearly 2 years is going to be devastating to especially the small businesses?

Mr. STRAIN. Yes, Congressman. I think extending the $400 through September, which is what President Biden is proposing, would be an act of economic self-harm. When Congress passed the $600 Federal supplement in March, that was during a period of time where the country was locked down, and you really did not want unemployed workers out there trying to find a job because you didn't want them spreading the coronavirus. That is not the situation we are going to be in for September. You are going to have unemployed workers sitting at home and not getting jobs, when there is no reason for that.

Mr. LOUDERMILK. Thank you. I yield back.

Chairwoman WATERS. The gentleman's time has expired. The gentlewoman from Ohio, Mrs. Beatty, who is also the Chair of our Subcommittee on Diversity and Inclusion, is now recognized for 5 minutes.

Mrs. BEATTY. Thank you so much, Madam Chairwoman, and thank you to the committee, and thank you to all of the witnesses. It is an honor for me to be here today. Certainly, as we have heard, and research and the people's comments have supported, individuals need relief. Small businesses need relief. We know that when we look at the 440-some thousand individuals dying from COVID-19, that it is a three-headed pandemic. It is health care, it is the economic issues that we are dealing with, and it is the social injustices.

So when it comes to this committee, I want to thank the Congresswoman for speaking up for all of the people and what we know to be true. We know that people need more financial assistance. We know that individuals need relief. We are hopeful that we will get through this COVID-19 because of science and medicine. But we know we are not there.

We know cities and communities across this country are saying, "Give us relief. Continue the individual unemployment." I think it is unthinkable for anyone to believe that someone would not go to work because they are getting an additional $200, $300, or even $600. It comes back to the economy. Economists have told us that. Wall Street has said to us, when you look at the stock market and what happens when individuals get more dollars, what do they do? They buy food. What do they do? They try to keep a roof over their heads.

I want to thank all of the witnesses, but I want to give a special thank-you to Mr. Johnson, head of the NAACP, because last week he brought up former Ambassador Susan Rice to talk about domestic policy leadership and the issues and racial justice inequity. He had soon-to-be HUD Secretary Marcia Fudge. Housing is a big part of what we do under Chairwoman Maxine Waters' committee. He had me come on to talk about financial services. And I want to thank you, because when the people called in, it was Black people, White people, Democrats, and Republicans, because death and hurting is not a partisan issue.

So, Mr. Johnson, can you help us? When we know that it comes to people who are affected most by COVID-19, whether it be medically or economically, African Americans have borne the brunt of this pandemic, so is there anything, as head of the NAACP, that you want to elaborate on, that we still need to do in Congress to ensure that all communities who have suffered are made whole?

Mr. JOHNSON. Thank you, Chairwoman Beatty. Three quick things. First, is a targeted approach to ensure that communities who are most at risk receive the vaccine immediately. Second, I have never heard that giving people in need of money, more money, will hurt people in need of money. That is a concept I am not familiar with. We need to ensure that we stabilize our economy. It fuels more resources in people's hands, not corporations, but those people who use those funds to support the very small businesses that many of them work for, like the Henry Ford Model. He paid his workers more because he wanted to sell more cars.

And then third, I always go back to the looming student debt crisis. We depend on our governmental workers, local and State, teachers, and they are suffocating under the burden of student loan debt in the midst of a pandemic, in the midst of an economic crisis. We must give those individuals relief, and if we do so that can stimulate the economy, because the $300 to $500 that they are paying in monthly student loans will go right back into the economy.

Mrs. BEATTY. Thank you. Dr. Spriggs, can you tell us a little bit about the economy and the consequences of not providing more rental assistance dollars?

Mr. SPRIGGS. Thank you, Congresswoman. We are risking too much going in the economy because all workers in America make too little money. The size of this package is evidence to us how little we have put in the hands of our workers, keeping them from being individually resilient in the face of crises. Letting them become homeless complicates this situation. If you are a long-term unemployed worker, it is very hard to reconnect you to the labor force. Letting you become homeless is virtually impossible. That is too steep a challenge for us to face. It is penny wise and pound foolish for us not to make the investment now to prevent the scarring of homelessness—

Chairwoman WATERS. The gentlewoman's time has expired. Thank you.

Mrs. BEATTY. Thank you.

Chairwoman WATERS. The gentleman from Ohio, Mr. Davidson, is now recognized for 5 minutes.

Mr. DAVIDSON. Thank you, Madam Chairwoman. And I thank our witnesses. This is certainly a timely hearing and one that deserves a lot of attention. Frankly, over the past year, nearly $5 trillion has been voted on here in this body to add to the monetary supply of the United States of America.

One of the agenda items is that the Fed's dual mandate should be updated to address economic inequality. The proposals behind that, from the Majority, focus on more redistribution. They want the Fed to take money that we cannot even print fast enough and redistribute it. They want the Fed to make loans that the market would never actually make. And they want the American taxpayer to underwrite risks that no one rationally would take.

The Federal Reserve is adding to this inequality massively, because what they are doing isn't driving a huge amount of consumer price inflation. It isn't driving that kind of inflation because that money does not make it to the average American worker. That money makes it to people who are wealthy, people who have a large portion of their net worth tied up in marketable securities. And that is why right now, in the midst of this pandemic, where much of Main Street is decimated, Wall Street is having its best days ever. You are seeing the S&P 500 hit record highs with no correlation to the activity on Main Street. Lots of hope for the future, but we had lots of hope for the future at this time last year, and we weren't yet reacting to the COVID-19 pandemic.

When those asset prices become inflated, the wealth gap grows. The wealthy benefit from this right now. Jeff Bezos doesn't even pay the capital gains tax on his shares. He simply borrows against their value, which is rational in our current Tax Code.

But while the worker, the American worker back home in Ohio is busy working his hourly job, or hoping to be able to get back to it because it has been crippled not entirely by the virus but by the government's reaction to it, is happy that his 401(k) or his IRA has gone up, but that is for future earnings. That is not for money that can be spent today. That is hope for someday. But meanwhile, the value of those dollars being deposited in his paycheck are destroying—destroying—our economy.

When I first got to Congress, I wasn't sure that people were aware that this destruction was taking place. But the sad thing is that they are, and they want to misdirect and blame things like the Tax Code or employers or things like that. And I don't want to say there is no fault anywhere, but the biggest pump-and-dump scheme going on in America right now is being driven by the Federal Reserve. We need to get back to sound money and have a sound, rational basis for our monetary policy.

These economic distortions are crippling not just America's economy but the global economy. Developed economies around the world are talking about going to real negative nominal rates. The real rate for interest right now is already negative. No one really believes that the rate of inflation over the next 10 years is going to be less than 1 percent. But that is what happens when you wire Treasuries. It is central planning. It is distorting pricing.

And that is not an attack against the whole concept of central banks. Our central bank has been effective. In March, and in April, in particular, it is a case study in why central banks should exist. They provided essential stability to make our markets function. It was incredible. A number of programs implemented swiftly and decisively when there was literally no buy side for, for example, the safest assets, municipal bonds. Super safe assets. A market only functions when there is equilibrium between buyers and sellers, and when there is no buy side, the market is in freefall. So I commend the Federal Reserve for that, but since that time we have seen massive economic distortion, and it not going to end well.

Look, billionaires will lose billions of dollars. They may even lose a higher percentage of their net worth. But the working men and women of America are harmed by this economic distortion. We have to get back to sound money. Now, the idea to print even more of this money that we don't have, robs from future consumption. Dr. Strain, you have spoken well of this economic distortion. I want to give you a chance to talk about the consequence of spending future earnings of the American people. What kinds of consequences might we expect from this economic distortion?

Mr. STRAIN. Thank you, Congressman. I think it is appropriate for Congress to spend money to support households and businesses and to fight the virus, and I think that the CARES Act really did a great deal of good for American businesses and households.

Mr. DAVIDSON. Thank you for that, and I would agree with you that it did a very good—

Chairwoman WATERS. The gentleman's time has expired.

Mr. DAVIDSON. —job in the essential moments, as I highlighted. So, I appreciate that final comment, and I yield back.

Chairwoman WATERS. Thank you. The gentleman's time has expired. The gentleman from California, Mr. Vargas, is recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Madam Chairwoman, and I also want to thank the Republican Ranking Member today for this hearing. I do think it is very timely, and I first want to say that I do agree with some of the things that were said by my good friends from Ohio, certainly Representative Stivers. I think it is very important that we get the vaccine out in as many arms as we can. And I do think that my good friend, Mr. Davidson, what he just said, there is that distortion where you have now the wealthy getting wealthier and wealthier and the poor and the working class falling behind, that is something that is real and we have to work on it.

However, at the same time, I have to say I listened to most of my other colleagues on the other side and it seems that they want to figure out how to give the working class and the poor as little possible help as they possibly can, and the wealthy as much as they possibly can through tax cuts. It was interesting to hear a scold today tell us about how we are going to add trillions of dollars through this potential process, when that same person, a few years ago, voted in favor to adding trillions of dollars to the long-term debt by doing the tax cuts for the wealthy, that even Dr. Strain said he had problem with, at least with the individuals, not with the corporations. I do not want to put words in his mouth.

That, to me, is crazy. That is as looney as I think this QAnon stuff, that we make the wealthier wealthy and the poor and the middle class, we give them as little help as possible. That doesn't make any sense to me at all. It doesn't make any sense. That is not why government exists and that is not what we should be doing.

I do want to ask a couple of questions here before I become the scold in the rank here. Ms. Murguia, you were talking about the losses suffered by Latinos, and they are very painful in my district, of course, which is predominantly Latino. You talked about how they are 3 times as likely to die because of COVID-19, and twice as likely to get sick, and the losses that we have suffered. And then you have talked about some of the things that we can do. What else can we do? You mentioned some, but what else?

Ms. MURGUIA. Thank you, Congressman. I appreciate your comments. And I think I would just say, in addition to what you have laid out, in terms of making sure we are concentrating on targeted relief to those who have been the essential workers, and what we have found is that the Federal relief so far has not included those essential workers. And as you know, Congressman—you have worked a lot on behalf of Dreamers and many who have been undocumented, who are yet filling the lines of folks who are helping our country right now, whether it is in the fields as farm workers, whether it is in meat processing plants, whether it is stocking shelves or actually delivering food, or whether it is providing care to all of these folks who are in need of health professionals. But yet, we have found that Federal relief, because of these families being mixed status, the relief has not gone there. But they have provided the work, the services to keep things going.

So we have argued, as you have heard, that we should make sure that all essential workers, regardless of their status, many who are families who have U.S. citizen children, should be included, and that we should take the step to look at, perhaps in a reconciliation bill, maybe addressing, first and foremost, how we can provide protected status for these folks. Because they are going to continue to keep the economy going from this particular moment and into the future.

Mr. VARGAS. Thank you very much. I appreciate that.

I also want to ask Mr. Anthony, I was on the San Diego City Council for a number of years when I started my political career, and the City and a lot of the little cities that I have in my district are really suffering at this moment. They are working hard but they are suffering. How can we help them, through this package? You have talked a little bit about that, but could you expand on that? Because I know that they work hard. At the same time, they are in desperate need.

Mr. ANTHONY. Yes. Thank you, Congressman, for asking that question. I think the way in which we could be of help to those small and especially the rural communities is to be able to get those dollars in the hands of those local leaders who can actually create those programs such as the food programs. Also to be able to help them keep their employees so that we can get our economy started back up through permitting, housing, and capital investments. Again, this is not a bailout. This is being able to help them administer the programs that you, in fact, are approving through the past stimulus projects as well. Thank you, Congressman.

Chairwoman WATERS. The gentleman's time has expired.

Mr. VARGAS. Thank you.

Chairwoman WATERS. The gentleman from North Carolina, Mr. Budd, is recognized for 5 minutes.

Mr. BUDD. Thank you, Madam Chairwoman. I just want to confirm, Dr. Strain, can you hear me okay?

Mr. STRAIN. Yes, sir.

Mr. BUDD. Thank you. I appreciate you being here today. Over the past 11 months, Congress has appropriated nearly $3.5 trillion to stimulate the economy and support families, workers, and small businesses. Today, we are discussing the newest plan proposed by President Biden which is seeking to add $1.9 trillion in untargeted relief. I am supportive of the widespread testing, I am supportive of vaccinations, and I believe that these are both critical components to opening safely. But I also strongly believe that additional funding, if necessary, should be targeted to meet those needs. Keep in mind that a majority of the funds we appropriated in the December COVID package has remained untapped.

So my question is this: How will the new untargeted spending provide greater benefit to our economy that the already appropriated $3.5 trillion hasn't, and is this even necessary?

Mr. STRAIN. Thank you, Congressman. I think much of it is unnecessary and a good chunk of it is actually actively harmful. The checks to households, a whole lot of that money is going to go into savings. That is not going to help support the recovery. The reason it is going to go into savings is because so much of it would go to households earning well above median income, earning six figures a year, who haven't suffered any employment losses.

The unemployment insurance supplement of $400 a week through September, I think will be actively harmful. On the one hand, it will support consumer spending. On the other hand, it is going to act to keep people unemployed for longer, at a time when most likely the vaccines are in wide distribution and we want people to be getting back to work. The $15-an-hour minimum wage will be actively harmful to helping low-wage workers keep jobs, get back to work, and get back on their feet.

So I think you are right, Congressman, that we should be looking at the actual needs here, and I think it is appropriate for Congress to spend some more money this month on addressing those needs. But large portions of the President's proposal wouldn't do much good, and large portions of the President's proposal would actually do harm.

Mr. BUDD. Thank you. I also want to ask, we have seen the devastating impacts that widespread lockdowns have had on our economy. Just last month, the Labor Department reported that our economy lost 140,000 jobs, and we are used to, over the last several years, adding jobs by the hundreds of thousands, but now we have lost 140,000 jobs, the bulk of which came from States that have endured long-lasting and broad lockdowns. States with less restrictions are rebounding at a rapid pace.

So, Dr. Strain, do you believe that the most effective way to support the economy is to safely open it up?

Mr. STRAIN. Yes, Congressman. I don't think there is really any doubt that in order to fully recover from the pandemic, we need the economy to be reopened. And the best way to get the economy reopened is to get vaccine shots in people's arms. I think that the inability to do that quickly, the fact that vaccines have been sitting in storerooms and not being administered is a national scandal, and I think it is very appropriate for Congress to figure out what it can do to help get people vaccinated. Because the faster we do that, the faster we can reopen and the faster we can recover.

Mr. BUDD. Thank you. And lastly, Dr. Strain, would you detail the benefits of using private lending institutions to operate an emergency loan program instead of creating a government-run program?

Mr. STRAIN. One benefit is just speed. And that was a key reason to rely on private sector lending institutions for the PPP program, that you wanted to get money to businesses quickly, and that creating a new government agency to do that really would have slowed it down.

Another reason, of course, is that the situation we are in now is temporary, and we should not be kind of changing the structure of government to support a temporary problem.

Mr. BUDD. Very good. I appreciate your time, Dr. Strain, and, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Florida, Mr. Lawson, is recognized for 5 minutes.

Mr. LAWSON. Thank you, Madam Chairwoman, and I would like to thank the witnesses for being here today. I had an opportunity to listen to many of the panelists, whom I think have done a great job. And I am going to talk a little bit from the small business standpoint, because I have been in small business for the last 34 years. One of the things that, Mr. Strain, you said, is that enhancing the minimum wage is going to really, really hurt small businesses. I wonder if you could elaborate a little bit more on that and tell me why you think it is really going to hurt them? Oftentimes, we can draw good employees if we pay them well, which increases our bottom line and helps us to do better economically, and we might even have the opportunity, if we get more resources, to hire other people.

So, maybe you can elaborate on that a little bit more for me, please?

Mr. STRAIN. Yes. Thank you, Congressman. I think the example that you gave is an example of something that does happen. When a State or when the Federal Government increases the minimum wage, you often see businesses hire a different type of worker. Perhaps, a business was employing workers who hadn't graduated high school when the minimum wage was $6 or $6.50. Then, the minimum wage goes up to $7, $8, and they start to hire workers who have graduated from high school. So in that instance, the business itself that is doing that is not necessarily worse off. They are hiring workers who are going to be more productive and they are able to absorb the minimum wage that way.

But the person who loses out is the person who didn't graduate high school, and my concern is that even in situations where businesses will be okay—and to be clear, when you are talking about doubling the minimum wage, I think many, many businesses are going to really struggle. But even those businesses that don't struggle because they find other ways to adapt, that doesn't change the fact that the least skilled, least experienced, most vulnerable workers in society are going to pay an enormous cost for the minimum wage increase up to $15. Middle-class households are going to see their incomes go up, but the cost of the policy is going to be borne by the least skilled, least experienced, most vulnerable workers in society, and that is just not a tradeoff that I think Congress should make.

Mr. LAWSON. Okay. Thank you.

Mr. Johnson, I heard you earlier give quite a few analyses about where we stand, especially with people of color. And I know how important it is to get the vaccine out there because I know it is critically important. I represent a lot of rural areas. How do we get dollars down, because there has been some consideration this morning about dollars are not really coming down. Dollars are going to the wrong people who don't really need it, but in my district, everybody I come in contact with seems to really need the stimulus dollars to benefit their families. How do we do that in legislation to make sure that the dollars that are needed the most by individuals are stimulating the economy?

Mr. JOHNSON. Was that question for me?

Mr. LAWSON. Yes, sir.

Mr. JOHNSON. Putting money in people's hands becomes crucial. That is why we supported the $2,000 stimulus check that was first stated by the prior President, that many people now oppose. But we also understand, in terms of the vaccine, you have to provide access to vaccination closer to where people live, and if you only provide it through the medical facilities, you can miss whole communities. Municipalities play a huge role. Public housing systems play a huge role.

But then, more importantly, to your earlier question about minimum wage, I have never been able to reconcile this concept of a free market economy, but we don't want a free market economy when it comes time to pay people an equitable wage because people go out of business. We have to pay people their value, and if we look at what the growth is in terms of the cost of living, and we are not keeping up the cost of living, we must supplement or create a space where people can actually work hard every day and make a living. Every community I have driven through that appears to be impoverished, I could assure you those are low-wage workers. We need to raise the floor for the quality of life.

Chairwoman WATERS. Thank you very much. The gentleman's time has expired. The gentleman from Tennessee, Mr. Kustoff, is recognized for 5 minutes.

Mr. KUSTOFF. Thank you, Madam Chairwoman. Thank you for convening today's hearing, and thank you to all of the witnesses who have appeared today.

Dr. Strain, if I could talk with you first, you talked in your testimony in response to other questions about the enhanced set of employment benefits that we approved in the CARES Act, and that we renewed, to a lesser level, back in December. I will tell you that in my district, I have heard from "X" number of employers who told me that they literally could not get employees to come back to work when they were receiving those unemployment benefits because they were literally making more money with these enhanced unemployment benefits than they were pre-pandemic.

And I will say, with the passage of the CARES Act that we passed in March, I think we did a lot of things right, as a Congress, and we did it on a strong bipartisan basis. But my recollection is that when Secretary Mnuchin, who was essentially the lead negotiator for the Trump Administration, talked about the $600 enhanced unemployment benefit, he essentially said that was a median number.

So my question to you is a little bit wonky, and that is, if we do approve additional enhanced unemployment benefits, is there a way to make that locality-based, based on cost of living for an area? I represent Tennessee, so in my area—Arkansas, Mississippi—the cost of living is lower than in California, New York, and New Jersey. Is there a way for us to do that, as a Congress, and with the Biden Administration?

Mr. STRAIN. Congressman, it is a really good question. I think we saw in the ability of State Governments to administer unemployment benefits, the inability to handle even the $600 increase, suggests that their capacity to do something complicated like that is unfortunately limited. I think you are right to be thinking about ways to mitigate the damage that those unemployment benefits could do.

I think a similar solution is just to do them at a much lower level than $400, or not do them at all, and to make sure that they stay in effect for a relatively short period of time, certainly not until September.

When Congress appropriated the $600 as part of the CARES Act in March, that was an extremely unusual circumstance. The idea behind the $600, as you said, was to replace completely the income that unemployed workers would lose when they lost their job. The reason why that was reasonable to do was because you did not want unemployed workers trying to find another job, and the reason you didn't want them trying to find another job was because if they were trying to find another job, they would be spreading the virus. This was in March and April when we did the lockdown. Keep everybody at home. Don't go to work unless you absolutely have to. Certainly, don't be trying to find a new job.

That is just not the situation we are in anymore. If we thought the $600 would keep workers from trying to find a job in March and April, certainly it is going to keep them from trying to find a job in July, August, and September, when the vaccine is going to be in wide distribution. So, I really think that this is a damaging proposal.

Mr. KUSTOFF. Thank you very much, Dr. Strain.

Mr. Anthony, if there is another stimulus bill that, in fact, appropriates money, replaced money for cities, as you talked about in your testimony, first of all, if you were writing the bill, would you write in a population threshold for a city or municipality? And if the answer is yes, what is that number?

Mr. ANTHONY. Thank you, Congressman. That has been a question that many have asked. I think that our perspective as the National League of Cities is that every mayor, no matter the size of their community, has been elected to lead and to make decisions on behalf of that community. And if I then had to make a formula decision, I would use the Community Development Block Grant formula, that gets it down to $50,000, and would require that if money is sent to the State for those smaller cities, that it be transferred immediately, within 30 days of receipt of those dollars, down to those communities.

Mr. KUSTOFF. Thank you. My time has expired.

Chairwoman WATERS. Thank you very much. The gentleman from Guam, Mr. San Nicholas, who is also the Vice Chair of this committee, is recognized for 5 minutes.

Mr. SAN NICHOLAS. Thank you so much, Madam Chairwoman, and thank you for convening this very important hearing. I think it is doing a huge service to the American people by allowing them to really vet the conversations that we are having and to address what is on the table and also how to speak towards misnomers that are circulating regarding what is happening next. I would like to thank our witnesses on the panel for making time to be with us today.

Madam Chairwoman, I want to address some of these misperceptions. That way, the American people can have clarity. First, there is a misperception out there that there is $1 trillion kind of just sitting out there, that we have already approved, that is not being spent, and it is creating the perception that we have money out there that has been made available that is somehow just not being used.

Mr. Anthony, based on your experience, is it true that $1 trillion in relief is languishing and wasting away or is it largely programmed by our States, our cities, and our local governments?

Mr. ANTHONY. Yes, Congressman. I think that we know, again, we were not prepared for a pandemic. No one was. And so if those dollars have gotten to State and local governments, there had to be an infrastructure created and a plan. And what we are seeing is that the States, as well as the mayors and counties, have those programs, and now those dollars are going to be spent.

And we also must recognize there is a lagging economy that is happening. We haven't even seen the worst of what is going to happen. So, thank you, Congressman.

Mr. SAN NICHOLAS. Thank you. Yes, and we are having the same experience in my district. The money is not languishing out there. It is being programmed. It has a purpose, and the purpose is to fulfill the intent of the Congress to make sure that we are addressing the COVID-19 circumstances and the relief that needs to go out to our communities.

Mr. ANTHONY. That is correct.

Mr. SAN NICHOLAS. I am looking forward to our local governments deploying those resources expeditiously, but the funds that we made available is not somehow money that can all of a sudden be reprogrammed. It has already been programmed.

Second, there is a misnomer out there that was reiterated by, I am not sure if it was Dr. Strain, but it is the idea that the Federal Pandemic Unemployment Compensation (FPUC) was somehow provided to prevent people from going back to work. We are talking about the additional supplemental $600, $300, now $400. That is absolutely incorrect. The purpose of that resource was because we have millions of Americans who are now relying on unemployment, and the unemployment compensation provided by their unemployment insurance in their State, and in my district, is insufficient to meet the cash flow strains that they are suffering from because they are no longer able to work. That supplement is being used to make up the difference between what they are receiving in unemployment insurance and what they were actually earning.

And to be perfectly honest, that difference is still very insufficient: $600 was insufficient; $400 was insufficient; and $300 is insufficient. And the fact that we are at least providing something is keeping families from going from being able to provide, what they are doing for their communities and bringing money into their households, to now at least having unemployment, whatever paltry sum that is they are receiving in their respective districts, plus the supplement that is going out to support them.

The idea also that we have to engage in a protracted deficit at this time has me very concerned. We entertained an amendment just the other day that would have locked up the ability of this committee to be able to provide any relief whatsoever if we did not find a budgetary offset. Now, of course, we should always be mindful of the deficit, but I am going to ask a very elementary question to Dr. Spriggs, and forgive me for the elementary nature of it. But is the time for us to be addressing Federal spending during the pandemic we are enduring now, or should it be during times of economic stability?

Dr. Spriggs?

Mr. SPRIGGS. Thank you, Congressman, for that question. It should be in times that are normal. We are actually in a war. The virus has killed more Americans than we lost to combat in World War II. This is not the time to be looking at a budget. Now is the time to be looking at, are we successfully winning our war against this virus? That has to be the number-one priority. That is what is killing our economy. We cannot heal the economy until we heal the virus.

Mr. SAN NICHOLAS. Thank you, Dr. Spriggs. Madam Chairwoman, thank you so much, again, for convening this hearing, and again, thank you to our witnesses for making time for us today. I yield back.

Chairwoman WATERS. The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman, and I thank our witnesses for being here this morning. I certainly appreciate their willingness to be here and inform us.

But I would like to take a moment, before I begin my testimony, my questioning, to point out that the testimony for this hearing was not posted until last night, Madam Chairwoman. If the Majority wants to have a serious discussion regarding the needs of American consumers and businesses during this pandemic, and what Congress should do to enhance economic recovery, giving Members less than 12 hours overnight to review and prepare for this hearing is unacceptable. If this was any indication for how the Majority intends to operate the 117th Congress, I have serious concerns over what we are trying to accomplish here. So, I would appreciate more timely responses by the witnesses and/or the Majority staff who is in charge.

With that, first question. With regards to the stimulus, it is interesting that Lawrence Summers, who was President Clinton's Treasury Secretary, and the top economist for Barack Obama's Administration, Jason Furman [inaudible] the concern with this pouring of more money into the economy, feeling it may overheat and cause inflation. Mr. Strain, what would you say in response to that concern?

Mr. STRAIN. I share that concern. I think it is commonly argued that right now, Congress should err on the side of doing more rather than doing less, and I think that is a reasonable way to think about the problem, given the balance of risks. I think there are more risks to doing too little than to doing too much.

But that is not to say that Congress should pass another stimulus that is untethered to an assessment of the actual economic need. The actual economic need is maybe a few hundred million dollars, something like that. And so, you want to have the fudge factor to do more than less. But there are real risks to dumping another $2 trillion on the economy right now, and one of those risks is a few months where there is some troubling price inflation.

Mr. LUETKEMEYER. One of the things that concerns me is, there is some money in here, about $350 billion, to bail out the States. Now, I realize some of the States are struggling a little bit, but in my own State of Missouri, we ended the lockdown in mid-May. In 2020, we had a 5 percent increase in revenue over 2019. Yes, last year we had an increase in revenue over 2019. We have a 4.4 percent unemployment rate, and over 200,000 jobs that are being unfilled right now.

It seems as though there are a number of States which are well-managed, from the standpoint of the COVID problem, and their own budgets and revenues now. It would appear that this $350 billion is going to bail out some States that are not very well-managed. What would your comment be on that, Mr. Strain?

Mr. STRAIN. Look, Congressman, I think you are right that as a general matter, State and local finances are looking a lot better than many people thought that they would, and a good number of States are basically even with 2019, in terms of revenue. That really varies from State to State. States that rely a great deal on tourism have taken a big hit. States that rely relatively more on sales taxes from in-person activities have taken a big hit.

And so I do think that, looking across all of the States, there is a hole in terms of revenue of around $100 billion to $150 billion. And so, I think it is appropriate for Congress to help States with pandemic-related revenue losses, but not to help States that just use rainy-day funds, not to help States bail out pensions. And there are some States that aren't going to need that much help at all.

Mr. LUETKEMEYER. I appreciate that. Yes, I can tell you, I live very close to the Lake of the Ozarks there in central Missouri, which is one of the premier recreational destinations, especially in the summertime. And they actually had a record amount of visitation last year. So, I think being open is a big key. It is interesting to me, with the COVID lockdowns—and I have made this comment before—you look at Florida and New York and they are roughly the same population; one is 21 million and the other is 19 million. New York had only twice as many deaths last year due to COVID as what Florida did. And yet, Florida is open and California is locked down, and Florida has a greater elderly population, probably, than New York.

So, as a result, I am concerned that we are trying to bail somebody out here instead of actually giving money to—putting it in places where it actually needs to be targeted to be helpful.

I understand my time is up. Thank you very much for your responses.

Chairwoman WATERS. Thank you very much, Mr. Luetkemeyer, and there are many things that I think I could advise you about publicly. The ranking member and I have an agreement to work out our concerns, and we are in charge, so I didn't appreciate your comments earlier.

Mr. LUETKEMEYER. I appreciate getting information on time.

Chairwoman WATERS. The gentlewoman from Iowa, Mrs. Axne, is now recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman, and thank you, everyone, for being here today.

Mr. Anthony, I would like to start with you. Cities and towns, of course, across the country have been fighting to support people and the communities for the last year as COVID hit our shores, and I know that nationally, we have lost about 1 million jobs in the State and local government sectors. One of the areas that I have been really focused on, and this committee has as well, is housing.

Could you tell us a little bit about how the budget losses and the job losses for State and local government employees have made it more difficult to keep people in their homes, and what are some of the steps that you have had to take to overcome that?

Mr. ANTHONY. Thank you, Congresswoman, for that question. I spoke earlier about the eviction level. We are looking at about 40 million renters who are on the cliff of being evicted.

The second data point is that this is a pent-up loss for even real estate owners of about $7 million of revenue or renter income that will be lost.

And the final thing is, in city governments and local governments, period, we are seeing homelessness increase. So we are dealing with all of those issues and responding. And I think what this relief package would do is it would help us to be able to provide programming for those challenges.

Mrs. AXNE. I appreciate you saying that, and I thank you so much, because one thing I know can be an issue for so many of our constituents during this time is finding the help that they need and the different programs that are available to them, in a timeframe by which they need them.

So what can you tell us about how we are helping people navigate some of these programs so that they can keep a roof over their heads?

Mr. ANTHONY. Cities all over America have created rental assistance programs during this time, but first of all, helping to get those dollars specifically to nonprofits and to create programs so that people will be able to come in and get those dollars. Mayors and councilmembers have created small business programs as well, small business loan programs, rental assistance programs, and I think that if we think about the level of government where people can knock on the front doors of mayors and the city halls, it is local government.

So, I think that what we are asking for is direct dollars. We know that we have lost over 1 million jobs. We anticipate more than $90 billion of additional revenue loss this year. So, I am begging that we get the dollars out to that level. But I appreciate that question because it has been desperate in some cities, not all, but I will tell you that in 95 percent of the cities—rural, small, as well as urban—the homeless challenge is increasing.

Mrs. AXNE. It is an issue that we face right here in Des Moines, Iowa, so I absolutely understand. And that fits, actually, really well, with something that I have been working on since last spring, which is getting more resources for housing counselors, who can help people figure out what is going on, how they can save their money, how they can stay in their homes, et cetera.

You brought up some facts here, but the last estimates I saw showed almost $60 billion in rental assistance is needed, and with the forbearance that has been offered for mortgages, I think a lot of people are going to need help with that. And, of course, we saw, after the 2008 financial crisis, that 2 million people who worked with housing counselors were 3 times as likely to get loan modifications and then not go into foreclosure or redefault, which is a great thing for our communities.

Many of those same benefits—lower costs, more stable housing—can also help renters when they are in tough straits, like you mentioned. Ms. Murguia, or anyone else, does that seem like something—these housing counselors—that we could benefit from right now?

Ms. MURGUIA. Yes. Thank you, Congresswoman. I really appreciate your leadership on this. I know you have seen and understood the efficacy of using housing counseling programs and those community-based organizations, those nonprofits, who are so effective in reinforcing the importance of the steps to be taken, the information that needs to be provided, to the most hurt families, the most impacted families, and their success rate, as you pointed out, is really high.

So, the $700 million-plus for COVID housing counseling assistance is absolutely necessary. UnidosUS has the largest Hispanic housing counseling network in the country, and we have seen firsthand the role that they play, because they are trusted partners; they have the cultural and language competencies to be able to provide that service.

Chairwoman WATERS. Thank you. The gentlewoman's time has expired.

Mrs. AXNE. Thank you.

Chairwoman WATERS. The gentleman from Ohio, Mr. Gonzalez, is recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman. Quick check, Dr. Strain, can you hear me?

Mr. STRAIN. Yes, sir.

Mr. GONZALEZ OF OHIO. Yes, very good. Thank you. First, I want to just comment on a couple of things. Some of my friends on the other side of the aisle have commented that, now is not the time to worry about deficit spending or where it is going, and I would offer this.

We are in a pandemic. There is an emergency, and there is a need to act. I agree with that. But I would offer that it is always our responsibility to make sure that we are spending taxpayer dollars wisely and effectively. That is always a priority. You never get to put that on hold. And I think what we have done to date has been pretty good, not perfect. But when we are talking about a $1.9 trillion bill, which, let's be honest, the justification is pretty poor for a lot of the spending in there, and a lot of it would be wasteful, I can't possibly support it.

The second thing I would say is, if there is one thing that President Biden said in his inaugural address that I think every single Republican agreed with, and most across the country, it is that we need to come together. We do need to come together as one country and solve our problems, and we need to take the temperature down politically. Unfortunately, everything that has been done from that speech to today, including this spending bill, has gone completely counter to that. And so, I would ask my Democratic colleagues, whom I know are sincere in this, please help on that, because I will help anybody who wants to work on that. I don't care who you are.

But if we are going to just jam wish list items, like a $15 minimum wage, which we know isn't a bipartisan solution, if we are going to jam a $1.9 trillion spending bill with no Republican votes, that is not going to bring anybody together, and you know it. And so, I would ask you to think wisely about where we are as a country, culturally, emotionally, before we go down that path. And it sounds like that train has already left the station, but I would ask you to think twice.

Now, Dr. Strain, you talked about the unemployment rate. Currently, where is the bulk of the unemployment? What sectors of the economy?

Mr. STRAIN. The sectors of the economy that have been hit the hardest are sectors that feature in-person interaction, so sectors like retail, trade, leisure, and hospitality. Those are the sectors that have borne the brunt of unemployment.

Mr. GONZALEZ OF OHIO. And a $15 minimum wage would do what to those sectors?

Mr. STRAIN. It would be a major challenge to workers in those sectors and a major challenge to businesses in those sectors as well.

Mr. GONZALEZ OF OHIO. Yes, I would argue it would be completely counterproductive, and we asked, where is the unemployment? It is not an interest rate question. It is not a stimulus check issue. It is a virus issue. I think we all know that, and I think that is what you are saying, and that screams towards quickly getting targeted relief in the form of vaccines, testing, and anything we can do to defeat the virus. The faster we defeat the virus, the faster we come back. Now, we could pass that, I would argue, with broad bipartisan support later tonight if we wanted to.

And then, the second piece I want to touch on is the stimulus checks. You mentioned in your testimony—you say, for example, direct checks to households earning six-figure incomes that have not experienced employment loss are an unnecessary and imprudent use of government spending. I agree with that 100 percent. Have you seen anyone anywhere who has intellectually or economically justified the notion that we would be paying people thousands of dollars who have not been economically harmed by the pandemic? What is the rationale for that? Have you seen it?

Mr. STRAIN. Congressman, I haven't seen a rationale that I found compelling to support those checks. I think you could make an argument for targeting checks that went to low-income households that have been really hurting in this economy. But checks to households earning $150,000, $200,000, and up, there really is just very little justification for that policy.

Mr. GONZALEZ OF OHIO. Yes, thank you for that. I agree. I want to be targeted. I want to help. Anybody who has been affected by the COVID pandemic economically, I want to be there to help them. I think most Republicans would agree with that. This overshoots by a mile, and, again, I would encourage my Democratic colleagues to come back and work with us. I yield back.

Chairwoman WATERS. Thank you. The gentleman's time has expired. The gentleman from Illinois, Mr. Casten, is recognized for 5 minutes.

Mr. CASTEN. Thank you, Madam Chairwoman. And thank you to our witnesses. Before I start with my questions, I want to just respond to something Mr. Barr said. He had noted that a lot of the public is watching us right now, and it is really important to understand this budget reconciliation process. This isn't about being partisan, nonpartisan, or bipartisan. We pass things by majority rule. The Senate has this goofy filibuster rule that certain things require 60 votes, and budget reconciliation is the way we pass things by simple majority. The last time that my colleagues across the aisle controlled everything—the House, the Senate, and the White House—they used budget reconciliation to pass a massive tax cut to corporations and to take away people's healthcare.

Now that we are in control, we are using budget reconciliation to address the fact that we are in a pandemic that has killed 443,000 Americans, and left 12 percent of Americans hungry, and 60 million people out of work. That is the right way to use your majority. I do not apologize for it, and please do not say that this is somehow not worth doing in the name of bipartisanship or question why that [inaudible].

I want to move from there to a question for Mr. Spriggs. We have done a lot of funding so far. We have a lot of support for small businesses. The PPP program, while it had some slow rollouts and some hiccups that we are all aware of, has really been a lifeline for a lot of small businesses, certainly in my district and across the country. But I think we have lost sight of the fact that it was designed, first and foremost, to protect labor. There were no credit checks. It was run with the SBA. The size of your loan was a function of your employment, and your ability to convert that into a grant was a function of making sure that you used it for labor. Again, not perfect, but it has kept a bunch of people off of unemployment rolls, off of welfare, not needing COBRA, and out of needing food assistance.

Because we could not get support across the aisle to support State and local funding, the PPP has really protected people who work for the private sector or certain classes, nonprofits. And following your introductory comments, Mr. Spriggs, we have had about 1.3 million public sector job losses since February. Correct me if I'm wrong on the math. If we do not get State and local aid, Mr. Spriggs, do you think that that 1.3 million number will increase, decrease, or stabilize?

Mr. SPRIGGS. Thank you for the question, Congressman. If you don't provide the direct aid, and you have heard this directly from Mayor Anthony, we are going to continue to lose jobs at the time we need those workers in place, both to implement the plans, as the mayor pointed out, that cities and local communities are trying to put in place, but also to make sure that we have a full court press in getting people vaccinated, because we can't do this from the air. We cannot just do this using the internet and assume that people can log on and make appointments. This is going to take direct action from the local level and local governments.

Mr. CASTEN. Thank you. Mr. Anthony, is there anything you would like to add to that? Personally, like we all do, I have a neighbor who is a schoolteacher. I have friends who are cops. They didn't get any of this protection. Anything you would like to add or put color on [inaudible]?

Mr. ANTHONY. Yes, I would just add that Dr. Spriggs has said it very clearly. If we really want our economy to come back, it has to start at the local level, and get done quickly. Our leaders are able to deal with, through distributions, PPE and the vaccine distribution and education. I know that our mayors and council members from our rural, as well as urban, communities are ready to partner with the Federal Government to get us back on the right track. So thank you, Congressman.

Mr. CASTEN. Okay. Thank you. Mr. Strain, I have been reading a little bit of your bio, and I am a Dartmouth guy, so I won't hold your Cornell degree against you. But if I am following right, you went to work at the Fed in 2005, and the Census Bureau in 2008, and you have been AEI since 2012, right? Do I have that timeline about right?

Mr. STRAIN. Yes, that is about right, Congressman.

Mr. CASTEN. I am not going to ask you for particulars, but have you had any raises during that period?

Mr. STRAIN. Have I had any raises?

Mr. CASTEN. Yes, has your salary gone up since the 2008 time frame?

Mr. STRAIN. Yes, my salary has gone up.

Mr. CASTEN. Mine has, as well. As you have earned more money, did you find that you increased your spending? Do you go out to dinner more often? Do you ever buy a nicer car, buy a nicer house?

Mr. STRAIN. I did not buy a nicer car, but I have increased my spending.

Mr. CASTEN. I mention that because the Federal minimum wage has not gone up during that period. It has been locked since 2009. And as you run your economic forecasts that presume that somehow if you raise wages to the wealthiest, they will increase their spending and live a nicer life, but if you raise it for the poorest, they are not going to be willing to pay more for a sandwich [inaudible] suggested by some of your math. Thank you. I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you, Madam Chairwoman, and thanks to Ranking Member McHenry and Representative Hill for having this committee hearing today. I am [inaudible] into the 117th Congress. I am grateful that we are finally getting under way with the business of the country.

Today, we are discussing the next COVID stimulus package before the ink has even dried on the last one. As my colleagues have cited, Republicans and Democrats have negotiated 5 COVID relief packages totaling $3.5 trillion to address the pandemic and the economic crisis. A significant portion of the funds Congress has already allocated are yet to be spent by agencies, and I believe that before providing additional relief, we must do a thoughtful review of the programs that have been most effective and then determine whether to place additional targeted funds.

Our economy is recovering. The best way to stimulate economic growth is to safely reopen businesses and schools. Our focus now needs to be on providing timely, targeted, and temporary funding to ensure adequate testing and vaccination supplies get to States across the country. Finally, I would be remiss if I didn't mention that I find this hearing to be largely a show, as Democrats in the House, Senate, and the White House have already moved forward on the path to pass another COVID package that would completely cut out the voices and input of Congressional Republicans.

Over the past few weeks, I have spoken with private, not-for-profit colleges back home in Tennessee, and they are distressed by President Biden's and the Democrats' stimulus plan. The President's plan includes funding for all public colleges and universities, but fails to acknowledge the majority of private, nonprofit institutions that have felt the repercussions of this pandemic just like their public counterparts. There are more than 1,700 degree-granting private, nonprofit colleges and universities located across the country which collectively enroll over 5.1 million students and provide more than 1.2 million administration, faculty, and staff jobs to the economy. Low-income students, students regardless of their college choice, face increased challenges during this time as well as members of faculty and staff. While these institutions have had access to Federal relief through the CARES Act, we cannot cut them out of future relief.

Dr. Strain, do you believe there should be parity in the treatment of these higher education institutions, and could you speak to the potential negative effects of treating them differently?

Mr. STRAIN. Thank you, Congressman. I think as a general matter, pandemic-related relief should be broad-based and should be available to businesses that meet a certain threshold. I think it was appropriate, for example, to limit PPP grants to businesses of a certain size class. I think it would be inappropriate to target relief on specific industries or the specific characteristics of businesses in those industries.

Mr. ROSE. Thank you. We have talked extensively about how the $15-per-hour minimum wage would destroy millions of jobs, and I think we can all agree that at a time when our national unemployment has only just begun to recover from the economic pain imposed by the COVID-19 lockdown last year, we should not be jeopardizing the economic security of more than a million American workers. Dr. Strain, can you discuss the disproportional negative impact this one-size-fits-all approach would have on smaller and rural communities like those in the 6th District of Tennessee?

Mr. STRAIN. I think it would have a significant impact, Congressman. I think in many American States that are more rural, you have a lot more workers who earn lower wages in the labor market. And if you are talking about doubling the minimum wage in those States or more than doubling it, you are talking about a policy that is going to impact directly, one-third, pushing up to the really middle-of-the-wage distribution workers in that State. And that is just going to make it a lot harder for them to find jobs.

Mr. ROSE. Thank you, and I see my time has expired. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from Massachusetts, Ms. Pressley, is recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman, and thank you to our witnesses for joining us here today. We have been living with this pandemic and the disparities that it has laid bare for nearly a year, and yet we have consistently fallen short of fully delivering relief than meets the scale and scope of people's hurt.

These hearings are a critically important reminder that our work is not done.

The stock market may have recovered, but our communities have not. My colleague across the aisle said this feels like a show. Well, in this show, we are centering on the American people, and it is important that we never lose sight of the plot, and the plot is the people. The inherent and outstanding disparities in our public health and economic systems, coupled with the slow and inequitable rollout of vaccination efforts across this country, mean that our hardest-hit communities—Black, Brown, indigenous—will continue to shoulder the burden of the pandemic and will be the last to recover, if at all. In fact, a CBO report projects that while the economy may rebound in the next year, it will take until 2024 for employment to return to pre-pandemic levels.

Mr. Spriggs, for those who look to conflate the two, can you please explain the consequences of an economic recovery without a labor recovery?

Mr. SPRIGGS. Thank you, Congresswoman. We have had this problem in our economy for the last several recoveries where we have the economy rebound much quicker than the labor market, so we have to pay attention to that. When we look at things like unemployment assistance and people projecting when they think the economy will recover versus when the labor market will recover, we have to have our ears open, because in September, it isn't clear whether the labor market will recover. It is hopeful that because of the vaccinations, our economy will be much closer to normal operation. But workers will still find it very difficult to reconnect, and the additional support in their unemployment insurance will still be necessary.

So, we cannot do what we did in the past, which is have everyone declare a victory because the stock market is up or because the unemployment rate nationally is 5 percent or 4½ percent.

Ms. PRESSLEY. Thank you.

Mr. SPRIGGS. That is not cause for celebration.

Ms. PRESSLEY. Thank you. And we know that women of color accounted for all jobs reported lost in December. So what does a slow labor recovery mean for them specifically?

Mr. SPRIGGS. This is why we need to act now, because when you are unemployed for more than 6 months, it becomes increasingly difficult for you to find a job. If people become homeless, then it becomes impossible, and so we can't let this story take place. We need to get the labor market back as quickly as we can to have a robust labor market, which is why we must raise the minimum wage, because it is specifically Black women who would be left behind if we continue on the path we are on now. While most Americans are on their way to a $15 minimum wage, it is disproportionately Black women who are not, and we need robust wage growth so that we can have sustained growth, and so that these kinds of recovery efforts won't be as expensive to the government and our economy won't be as fragile.

Ms. PRESSLEY. Thank you. And so to that end, since Black women are disproportionately bearing the brunt of this hurt, and that certainly is true when it comes to housing, there is an ACLU analysis of national eviction data. Black women were filed against for eviction at double the rate of White renters, and were more likely to be denied housing because of it. In my district, the Massachusetts 7th, the report found that during the first month of the pandemic, 78 percent of all evictions in Boston were filed in communities of color.

So that is why I am partnering with Representatives Tlaib, Ocasio-Cortez, and Neguse to introduce the Emergency Homelessness Assistance Act, to provide nearly $5 billion dollars in additional funding to support those experiencing homelessness. It is responsive to the needs of community and the hurt that people are experiencing. This funding includes support for additional vouchers and the acquisition and development of non-congregate shelters. Mr. Anthony, many cities have looked to purchase and convert hotels and motels into shelter spaces. Why is it critical to give cities and local providers the flexibility to make these long-term investments?

Mr. ANTHONY. Thank you, Congresswoman, for that question. And you know very well, being a former city council member in Boston, the challenges that local governments are facing. We need that flexibility. We need the resources first and the flexibility to create solutions that will address our local needs specifically to the cities, and we thank you for your support on that.

Chairwoman WATERS. Thank you. The gentlewoman's time has expired. The gentleman from Wisconsin, Mr. Steil, is recognized for 5 minutes.

Mr. STEIL. Thank you, Madam Chairwoman. I appreciate your recalling us back in here a month into Congress. Some of our colleagues here are in a big hurry to spend more taxpayer dollars and enact a liberal wish list. And just a few months ago, we were sitting here in this committee, and committee Democrats on this committee referred to that liberal spending wish list as Washington gamesmanship, party politics. One member described it as a waste of time, but here we are.

This is not what Wisconsin wants. It is not what the country wants. People in Wisconsin, people across the country, we want to get back to work. We want our way of life back. We want to get back to work. Let's talk about where we are today. Congress and President Trump have already provided $4 trillion in coronavirus relief, including $915 billion that was authorized less than 6 weeks ago, and I know, that is what Joe Biden calls a down payment. But by the latest estimates, almost a trillion dollars of that has been allocated has not yet been spent.

And so, let's conceptualize what this means. We have already provided $12,000 for every single person in the United States. That is $48,000 for a family of four. You can buy a new Cadillac car with that kind of money. And about a third of it—and this is what is important—nearly $4,000 per person, hasn't even been spent. And now my colleagues want to move forward and spend another $1.9 trillion, rammed through on a party-line vote. That is another $5,700 per person.

And a big portion of these funds would be earmarked for projects like bailing out States, States like Illinois, that have been fiscally irresponsible for years. The Illinois Pension Fund system is absolutely out of control. Meanwhile, in my home State of Wisconsin, as in many other States, tax collections turned out to be better than expected. The Wisconsin Department of Administration just a few days ago reported that, "Our State's fiscal condition has remained remarkably resilient," pointing out the continued tax revenue growth in States like Illinois. Why should Wisconsin have to bail out States like Illinois? They should not.

But wait, there is more. My colleagues also want to use this package to push through a whole host of job-killing measures. Killing the Keystone Pipeline and private sector infrastructure is not enough. And I appreciate, Dr. Strain, you discussing some of these policy proposals today. We are living in a time when far too many small businesses have shut their doors and workers are out of work. Sixty-one percent of adults in the United States are currently in the labor force. We haven't seen labor force rates at this level consistently since the Carter Administration. If we want to get people back to work, now is not the time for job-killing ideas.

It is time to slow down the spending spree, and focus, focus, focus. Focus on what is important. Focus on getting vaccines to everyone who wants one. Focus on getting kids back in the classroom. Focus on reopening the economy safely and responsibly. And the spending spree that we are discussing here today does not do that. I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Massachusetts, Mr. Lynch, is recognized for 5 minutes.

Mr. LYNCH. Thank you, Madam Chairwoman, and I want to thank the witnesses as well for your attendance and your testimony.

Mr. Spriggs and Mr. Anthony, in my area, we have, and I think in most cities around the country, we have a real mix of small landlords, and then we have some major housing developers as well. Frankly, I have been surprised at the willingness of a lot of landlords, big and small, to exercise forbearance with their tenants. That is just what I am seeing in my community. Some of my big landlords have come out ahead of Congress, ahead of the CDC to say, you know what? We are not going to evict anyone. We are going to work with you. And yet, at the same time, those big landlords now are saying, look, we have a large number of workers, electricians, plumbers, laborers, carpenters that they have kept on the payroll to make sure that the quality of life in those big developments is maintained. And, again, I have smaller landlords who are really, because they only have one or two rental units, really hard-pressed.

Mr. Spriggs and Mr. Anthony, could you talk about what you are seeing and what you are hearing from your positions and what you might recommend in terms of providing relief to those small landlords, and also the larger responsible landlords that have been trying to do the right thing?

Mr. SPRIGGS. Yes. I will go first, Congressman, and thank you for the question. This is why rent assistance is necessary. It is the best way to help out the landlords, and it is, in many ways, the first way to help out the landlords. If quite small landlords are in the awkward position of having to demand arrears all at once, it is going to be a very difficult situation. You mentioned it is uncomfortable for many small landlords. That is why I think the most proven and effective way to do it is through rental assistance.

Mr. LYNCH. Thank you. Mr. Anthony?

Mr. ANTHONY. Yes, I will just quickly add that—thanks, Congressman—we are looking at a $7 billion backlog of landlord rent on properties that they own, and I think that we need to have some assistance there. And local governments are coming up with programs, rental assistance programs, to stop those evictions. And the real impact is not happening to the wealthy. You are finding a lot of us who are blessed, are moving to rural communities and buying new properties. But those who are poor can't leave, and they are stuck with the bill of owning these properties and having to pay full rent.

Mr. LYNCH. Ms. Murguia, would you like to add anything to that, please?

Ms. MURGUIA. I would. Thank you, Congressman. I think just building on the previous comments, we are finding, certainly within our communities of color, Black and Hispanic landlords are actually more likely to work with tenants to keep them in their homes, but, yes, they are facing great financial struggles, too, because of the pandemic. And we do find that these smaller landlords, especially those paying off a mortgage, face some of those challenges that we are hearing about, small businesses and cash-strapped small businesses, with not enough money in their pockets at the end of the day.

And so, that is why we think this is another opportunity for the Federal Government to partner with community-based lenders, including community development financial institutions (CDFIs), to perhaps deploy short-term aid or low-interest financing to help struggling landlords with assets and who are being solvent through this pandemic. Of course, it is nothing more than just making sure we are able to get direct assistance and funding into the hands of those renters, and we do know that our Latino renters, in particular, use any payments that they are getting to pay for basic needs, like rent. So, I appreciate your question and the comments of my colleagues.

Mr. LYNCH. Thank you. And, Madam Chairwoman, I just want to thank you. I know you have been focused on this issue like a laser. I do want to say to some of my Republican colleagues, you know I love you, but I can tell by the way you talk about this, that you have never stood in an unemployment line. And I have, being an ironworker for 20 years, and you are constantly working yourself out of a job. I think you might have a different perspective if you had actually stood in an unemployment line. The fact that you got a check for $1,000, 5 months ago, really doesn't amount to much. So with that, I yield back. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you so very much. The gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Madam Chairwoman. The only thing that is going to solve the problem we are currently in is to reopen the economy as quickly and safely as possible. It seems today we are talking about three different buckets of spending. One is the easier-to-reopen bucket, and that is the bucket that I believe that we should be focusing most of our time and effort on. The second bucket is the easier-to-stay-closed bucket, and while that bucket was appropriate in March of last year when we had our 15 days to slow the spread, 300-plus days later it is no longer the best use of our resources, and we should not throw money into that bucket. And then the last bucket, and I don't even really know what to call it—I guess you could call it the progressive wish list, policies that have no chance of becoming law outside of a global pandemic. You can call it the let-no-crisis-go-to-waste bucket.

And let's start there. I have heard it proposed that we are going to cancel $1.7 trillion in student loan debt. That has nothing to with COVID. There is also granting amnesty to 20 million illegal immigrants. I want to fix immigration. I think that is something that we should do this Congress, but the idea that we would do it through budget reconciliation is just irresponsible. It is not going to happen, and that is really not part of COVID relief conversations, that are very important, when we should be spending our time talking about politics that will actually help.

A $15 minimum wage? I can tell you what that will do to my business in Greenville, South Carolina, and the other small businesses in Greenville and Spartanburg, South Carolina. That makes a lot of sense in New York City and Chicago, but it will severely impede our ability to not only successfully overcome COVID, but to even survive as a small business in my district. So, a $15 minimum wage just doesn't make sense all across the country. Now, again, that is not a conversation that I'm unopposed to having, but one-size-does-not-fit-all.

The second bucket—let's go back—the easier-to-stay-closed bucket. You have State and local bailouts. Any money spent with State and local governments should be focused on reopening the economy safely and quickly. Bailing out unfunded pension liabilities and poor fiscal policy for the last decade is just not an appropriate use of Federal tax dollars for COVID relief. Then, you have stimulus checks for people who make six figures or more, who have had no income disruption. That is not appropriate. And unemployment benefits that disincentivize returning to work also not helpful.

We need to spend all of our time and resources on the first bucket. How do we make it easier to reopen? Vaccines are clearly the number one issue there. Anyone who wants a shot should be able to get it as quickly as possible. That will allow all of our economy to reopen, and we can get past the pandemic. Schools are another very important way. Even if we reopen the economy, if our schools are not reopened, parents are not going to be able to go to work because they have to keep the kids at home. We need to give the schools the resources necessary to reopen. That is additional PPE. That is additional testing. Whatever the schools need to reopen, that is what we need to be spending our time and resources on.

Last, but certainly not least, we need to address businesses that have been disproportionately affected by COVID, and that is tourism, hotels, and restaurants. We have done that. We have already spent $3.5 trillion. We can have conversations about more, depending on how long it takes for the vaccine to be fully distributed. But we just need to spend all of our time on how we are going to make it easier to reopen the economy. We are going to have $30 trillion of debt within the next year or two, but probably in the next month or two, if this passes.

The global community is not going to let us borrow $40-, $50-, or $60 trillion. The only reason we are getting away with it right now is because the dollar is the global currency and we are able to spend beyond our means, but the global community will find alternative currency eventually. And if our debt is called, if we lose the global currency, our entire economy is going to fall apart. So, again, we must reopen as safely and as quickly as possible, and that is where we should be spending our time and resources. With that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from Michigan, Ms. Tlaib, is recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Madam Chairwoman. Look, I think the biggest job killer right now in our country and around the world is COVID, so let's just be very clear. That is the job killer in our country, and that is what we need to truly address right now, to pretend that it doesn't even exist, to talk about these different kinds of economies that are not connected to the fact that we need to protect our public health.

Madam Chairwoman, I don't know if you realize this, but the United States is on a course of losing about 500,000 people. That is half a million lives lost because of the incompetence of this past Administration. Just in my home State of Michigan, we have lost nearly 16,000 of our neighbors. For comparison, in the entirety of Australia, New Zealand, Singapore, and Japan combined, there has been less than 7,000 deaths. Think about that for one moment.

It did not have to be this way. The stock market might have bounced back, but everyday Americans—our neighbors, our communities, like my residents—are suffering. The measure of our nation's greatness should not be the gains of Wall Street. It should be in how our most vulnerable are taken care of. Since the beginning of the pandemic last March, we have senta $1,200 check and another $600 check, a total of $1,800 to our neighbors. That is an average of $163 per month. That is absolutely shameful. It is the reason why our food bank lines are growing longer in my district, and people are falling behind on their rent and losing their homes.

I have been calling for a $2,000 recurring monthly direct payment since the start of the pandemic. And Mr. Spriggs, I want to know, if we fail to provide sufficient economic support for the most vulnerable among us in the coming months, what will be the impact on our economy and, by extension, on everyday people?

Mr. SPRIGGS. Thank you, Congresswoman. We are in the situation we are in because of our high level of inequality. The size of these packages is an indication of what it takes to actually fill the gap because people at the bottom of our income distribution don't have enough money. We scar them and scar our economy. It will be harder to reconnect them. When we have the virus under control and employers go to meet with these workers, it will be harder to find them because they will have lost their homes. They will have lost contact with the labor market. We have to keep households engaged and as intact as possible so that when the economy does recover, people are spending their money on growth and not on paying back debts.

So the importance here is keeping this growing from not just the physical, not just the mental, not just the spiritual, but you don't want economic disparity.

Ms. TLAIB. Absolutely. The vaccine can't fix the problem of our savings accounts, right? It can probably keep us healthy, but, again, how does that extend to the fact that this economic downfall that is happening is going to be something that is going to be hard to address if we don't do something now?

I represent the third-poorest congressional district. The majority of my neighbors were living paycheck to paycheck prior to this pandemic, so just imagine now this layer of issues. I also want to push back against the deficit hawks and Republicans who worry more about the budget than getting Americans money so that they can keep food on their table and a roof over their head. They had no issue with granting corporations and the wealthiest of Americans hundreds of billions of dollars' worth of tax cuts, yet they speak out now when we need to help everyday Americans, when this is their money that they are asking for, and they are saying, this is the time for the government to be about people and to help them.

So, Dr. Spriggs, do you agree that those billions of dollars of lost tax revenue could have funded greater financial relief to our Americans right now?

Mr. STRAIN. We saw many corporations didn't have the liquidity they should have had because after we gave the corporations the tax cut, they found themselves fragile going into this pandemic. They required government assistance as well. So those tax cuts didn't build up the reservoir that we were told would be there to make those corporations much more resilient. If those corporations with their billions weren't more resilient, then what does it say of these households living paycheck to paycheck?

Ms. TLAIB. Thank you. I know my time is up. I apologize. Thank you so much.

Chairwoman WATERS. Thank you. The gentleman from Texas, Mr. Taylor, is recognized for 5 minutes.

Mr. TAYLOR. Thank you, Madam Chairwoman. I appreciate being in this hearing. Mr. Anthony, I want to talk to you a little bit about municipal finance running local governments. I am very blessed to represent Collin County, Texas, and we have some very successful cities, and our County is very well-run. We have some of the safest streets, and some of the best schools. I think it is a testament to the people in our community who consistently elect competent leaders who then, in turn, run fiscally conservative cities, counties, and school districts. And as such, not only are our taxes low, but we keep decent reserves in our local governments. And so when COVID-19 came, we watched a modest drop in municipal revenues, and the CARES dollars that went to the Collin County government actually, which is Collin County has about a million, so it got us a direct CARES dollar contribution. That money was then distributed to the cities, and the cities actually went ahead and distributed that to the citizens.

I have heard a lot of talk here today about rental assistance. Rental assistance actually came from the cities to the citizens, so there was no need for Federal assistance, because the cities and the counties could actually go ahead. They were in good fiscal shape, well-run physically. They could actually go ahead and help their citizens. And I remember visiting the Allen Area Food Bank, which is a food pantry in Allen, Texas, and they had gotten a $10 million grant from Collin County. The county government gives them $10 million to help feed people, but that was possible because the county was well-run. It had the resources. It had gas in the tank.

And so as we talk about more CARES dollars going to cities, what I am kind of concerned about is that my cities and my county have been well-run, and I am worried that you are talking about taking money from my voters and giving it to other places that were not well-run, because those are the ones where taxes were high, and so they are more likely to have revenues drop off very quickly, and where they didn't have money in the bank and they were unable to handle the problem in front of them. So, how should we think about this to be sure that we are fair to people who did a good job, who had money in the bank, who were well-run, Mr. Anthony? How should we think about this problem?

Mr. ANTHONY. Yes, thank you, Congressman Taylor, for that question. I think I will start from a place of assumption that municipal leaders are responsible, that they, in fact, have to balance their budget based upon the tax base that they have. And perhaps in your county, region, it is very diverse, and perhaps the wealth of that county may be a little different than some other counties and cities. So my assumption is that, again, local governments do manage their budgets.

The other thing I will say is that your description of how the CARES Act dollars came into the State, into the county, and then, in fact, were shared with the city is a story that we want to happen all over America, but it has not happened that way all over America. And the fact that your county was able to get the CARES Act dollars and then provide them to the nonprofits is the way we want it to happen. The thing that we want to stop is having to argue with counties and States to get the money. We think that your mayors in your county, in your district, should get direct dollars. So, I commend your county leaders and say that all of our leaders attempt to be good stewards of dollars.

Mr. TAYLOR. Thank you. I appreciate that. Obviously, I feel very fortunate.

Mr. ANTHONY. Yes.

Mr. TAYLOR. And I am very proud of the leaders in my community, and it is a team effort to build Collin County into a really, really terrific county, and it has been humbling, to say the least, to watch the struggles. And they are very real, very personal struggles that individuals in my county have confronted, like the single working mom who just lost her job and is trying to find toilet paper, and getting that phone call. It is very hard, very humbling calls that we have had as leaders, but I am proud of what we have been able to do to step up, and I appreciate your thoughts on this subject. And I yield back.

Mr. ANTHONY. And I am proud of you as well.

Mr. TAYLOR. Thank you.

Chairwoman WATERS. Thank you. The gentlewoman from North Carolina, Ms. Adams, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Madam Chairwoman. Thank you for convening this hearing today. And to our witnesses, I want to thank you as well for sharing your perspectives. Mr. Anthony, let me take a moment to ask you some questions about housing insecurity, which has been worsened by this pandemic. According to the Census household post-survey, we know that of an estimated of 15.1 million adults living in rental housing, 1 in 5 adult renters are not caught up on their rent, according to the data collected in January. But let me just skip over and talk about a little problem that is going on in my district.

In Charlotte-Mecklenburg, we are seeing the impacts of the pandemic-fueled housing insecurity. In fact, it has played out before our very eyes. We have a large and growing homelessness situation. Our community calls that largest settlement the Tent City. Tragically, each and every day, more and more tents join that community. These people are actually living on the street, because the pandemic does not allow the social distancing in these centers. They have needs that vary from basic healthcare, to mental health services, job training, hunger, clothing, et cetera. So in addition to the recent $25 billion in emergency rental assistance, what more should Congress do to provide the funding solutions and support to our cities and counties in addressing the ever-growing homeless problem, and does the pandemic give us an opportunity to tap into new and innovative solutions?

Mr. ANTHONY. Thank you, Congresswoman Adams. I know your mayor, Mayor Vi Lyles, and I have worked with the county as well to address the issues and questions about housing instability. And we all know that having a roof over your head is one of the things that creates a feeling of safety, a quality of health, and wealth. And what we are seeing and hoping is that there could be dollars in the rental assistance and housing stability programs to help residents to get a roof over their head and to get some security. So what we would want is some dollars, again, going directly to those counties and cities, who can actually create programs and partnerships with neighborhood associations.

Ms. ADAMS. Thank you for that, for your comments. Mr. Johnson, when Congress created the Paycheck Protection Program in the CARES Act, we found through various studies, particularly by the Brookings Institution, that businesses in majority Black neighborhoods received PPP loans less frequently, they waited longer for their loans, and they were more likely to apply through fintechs or online lending platforms, which frequently carry less favorable interest terms. So, how can we ensure that minority communities have adequate and equitable access to programs like PPP, and that they are not victims of disparate treatment by financial institutions in carrying out these programs?

Mr. JOHNSON. Thank you, Congresswoman. First, with the current consideration, there is a requirement for small business owners, if they want to go in for a second PPP, they have to demonstrate that they had a loss of up upwards of 25 percent in one quarter of last year. For many small businesses, particularly for African-American businesses, if they had a 25 percent loss last year, they are no longer in business, so that should be addressed in this upcoming bill.

Second, you have to ensure that the lending institutions that are closer to those businesses have access and preference for those small businesses, whether it is CDFIs, local credit unions, and others, that are closer to the ground, and particularly Black banks, because many of those institutions are the lenders for African-American small businesses.

Ms. ADAMS. Thank you for that. I just want to add one thing. As I talk to some of the banks and some of the individuals who were trying to get these loans, many of the banks are just now providing information to their customers, and some of these are small businesses that were unbanked and so forth. So that continues, I guess, to be a problem. Hopefully, we can figure that out, but thank you very much. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from New York, Mr. Zeldin, is recognized for 5 minutes. And I am going to turn the gavel over to Mr. Perlmutter, as I must leave to attend to other business at this point. Thank you all very much.

Mr. ZELDIN. Thank you, Madam Chairwoman. Thank you to the witnesses for being here today. Thank you to Ranking Member McHenry as well. I represent the 1st Congressional District of New York, which is located on the east end of Long Island in Suffolk County. Long Island was hit very hard by COVID-19 from the earliest stages of the outbreak here in our country, and the local governments in my district all stepped up to the plate in a very big way to provide critical services when my constituents needed it most. In light of historic shortfalls caused by this ongoing outbreak, our local governments have been struggling to recover fiscally. Additional relief from Congress is likely coming, but it cannot be an across-the-board free-for-all. Additionally, the State and local government relief being discussed should not be a bailout of budgeting failures unrelated to the pandemic.

Democratic leadership has decided to try to push forward a $1.9 trillion COVID-19 relief package through the budget reconciliation process, ignoring that the Federal Government just passed another massive coronavirus recovery bill just a few weeks ago. Our country cannot afford a partisan approach to COVID-19 relief, like the Democrat-flawed HEROES Act from last Congress. We must target our relief to where it can pack the greatest punch. Congress provided support for State and local governments in the CARES Act, but limited it to support for local governments with more than 500,000 in population.

I did not agree with that population limit, which is why I have worked across the aisle with my New York colleague, Congressman Antonio Delgado, to reintroduce H.R. 199, the Direct Support for Communities Act. This would drive support to the most local levels of our counties, towns, cities, and villages without that population threshold, and driving it to those who desperately need the assistance.

Dr. Strain, in a recent AEI blog posted on January 26th, you stated, "The best thing that Biden is proposing is the Federal grants to State and local governments, which are providers of essential services and major employers. The decrease in tax revenue caused by the pandemic left these governments with no choice but to lay off workers, especially since Congress failed to provide funding for States and localities in the previous relief packages." It is clear that the fiscal solvency of all levels of government is important for economic recovery. Can you elaborate on the importance of the health of all levels of government as we talk about the health and growth of the overall U.S. economy?

Mr. STRAIN. Yes, Congressman. Thank you for the question. Right now, State and local unemployment levels are about 1.4 million below where they were prior to the pandemic, so there are about 1.4 million fewer jobs in State and local governments than there were in February of 2020. That includes about 600,000 fewer education sector workers. And so, if we want the overall economy to recover, if we want the national labor market to heal, and if we want there to be enough personnel in schools for schools to reopen, I think it really is critical that Congress replace the pandemic-related revenue losses that have been experienced by States and localities, if for no other reason than to support the national economic recovery.

Mr. ZELDIN. Yes. I am a member who supports additional funding for State and local governments, but I would not want it to be a one-size-fits-all approach. I would not want us to be inefficient with it. I believe that it is important, as stewards of tax dollars, to ensure that it is not just going to State governments or the largest cities, but it is going to some of the local governments that have been on the front lines of responding to this pandemic. I had towns that had balanced budgets. They had AAA bond ratings. They were doing a really good job with their finances, and then they got hit hard by this pandemic.

In New York State, we have unique issues where the State had a deficit before we got hit, and it was exacerbated. New York City has financial issues, correct, but it got exacerbated by this pandemic. Plus, it is also important that our nation's largest mass transit system, the MTA, as well as the Port Authority and some of these others are being heard and that we are being responsive, but have to be smart in how we do it. That is extremely important, and that is our responsibility, working together on both sides of the aisle. I yield back.

Mr. PERLMUTTER. [presiding]. The gentleman yields back. Another gentleman from New York, Mr. Torres, is recognized for 5 minutes.

Mr. TORRES. Thank you. We often speak of a single American economy, but in truth, there is no single economy in America. The economic reality for Americans varies widely depending on your ZIP Code, and often depending on the color of your skin. Take, as an example, New York City. In the South Bronx and West Farms, the unemployment rate is 25 percent, which is Depression-level unemployment. Right across the river in the Upper East Side, the unemployment rate is 5 percent. New York City, much like America itself, is a tale of two economies. And so my first question is, what are your thoughts on how to best confront the crisis of Depression-level unemployment in communities of color in places like the South Bronx? And I will start with Mr. Spriggs.

Mr. SPRIGGS. Thank you for the question, Congressman. It is to recognize these disparities. When you hear folks say that, oh, if you add more money to unemployment benefits, then this would discourage work. It doesn't discourage those workers who live in the South Bronx. They are living in absolute fear because they don't know when they will get their next job. Their data are clear. They will suffer long-term unemployment. They may well run out of unemployment benefits. So if you design unemployment and ignore these realities, if you ignore the reality that those workers have no savings, they truly live paycheck to paycheck, and missing one paycheck means they are in debt, this $600, $400, whatever we add to the unemployment check, is vital for them.

So it is important that we not model on who is not unemployed, and understand in this downturn specifically, it is a clear set of workers who are unemployed, who have severe challenges. And we can't legislate based on somebody's notion of what those workers look like. When we added the extra money to the unemployment check, everybody howled that workers wouldn't return to work. The evidence was absolutely clear. Workers returned to work. That was not a discouragement for people to get back to work, because real people who live in those communities know you need a job. An unemployment check is not a job, and in the face of this downturn, it is not a discouragement for them.

Mr. TORRES. I have a question about State and local aid. State and local governments, largely through no fault of their own, have seen a catastrophic loss of revenue caused by an economic crisis the likes of which we have not seen in a century. New York City has a $4 billion deficit over the next year. New York State has a cumulative deficit of $60 billion dollars over the next 4 years. State and local aid matters not only to State and local governments; it matters to the larger ecosystem of community-based organizations that depend on the stability of local and State government. These are community-based organizations that often heavily employ people of color, and heavily serve communities of color.

One example that comes to mind in my district is Acacia Network, which employs thousands of people. More than 85 percent of its essential workforce are people of color who depend heavily on local and State aid. So when it comes to local and State aid, can you share with the committee your thoughts on what is at stake for communities of color and the ecosystem that heavily serves and employs them? And this question is for Mr. Anthony, Mr. Johnson, and Ms. Murguia.

Ms. MURGUIA. I would be happy to take the first stab at that. Thank you, Congressman. It is a great question. We have been talking about how there is an ecosystem at the State and local level, particularly at the local level, and, yes, it is State and local governments. But it is these community-based nonprofits that are the lifeline, the safety nets, for so many in our communities. These affiliate clients are low income, mostly now ravaged by the hospitality industry layoffs. They are the essential workers that we are trying to make sure we can get assistance to.

But when you see funding cuts for these nonprofits, you see their safety nets shut down. These affiliates are there to provide much-needed resources, oftentimes setting up food pantries and direct assistance, and information. And these are trusted partners in those communities, so getting that information, whether it is about vaccines, or economic assistance, or, again, food, they are a lifeline.

They are a safety net, and we need to make sure that we are supporting State and local governments, but also, and in addition to, these community-based organizations. I'm proud of Acacia, which is a UnidosUS affiliate as well. Thank you.

Mr. ANTHONY. Congressman, I will add on behalf of cities all over America, that we know that if there is stress on local government in the ability to provide support for the nonprofit community, we know that the communities of color will suffer first.

Mr. PERLMUTTER. And, Mr. Anthony, I don't mean to cut you off, but the gentleman's time has expired, and it has been a very long hearing for all of the witnesses, that is for sure. So, Mr. Torres, thank you for your questions. I am going to recognize Ms. Williams from Georgia for 5 minutes.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Chairman, for convening this hearing on the critical need for additional funding to assist our families and communities that have been impacted by COVID-19. Our constituents are suffering, and are in desperate need of assistance from the Federal Government. My colleagues across the aisle keep expressing their outrage at the fact that we are spending necessary dollars to help families impacted by a deadly pandemic, but were silent on the $1.9 trillion tax scam that benefited the wealthiest in the country.

My question is for you, Dr. Spriggs. In your testimony, you stated that there is a misguided belief that simply reopening businesses will solve the current unemployment crisis. What will it take to actually help the economy recover and ensure that long-term unemployment is resolved?

Mr. SPRIGGS. Thank you, Congresswoman. The data is clear because we have a huge variation in levels of shutdown, what has been shut down, and it is clear from the economic evidence that it is not these orders. It is the disease. People are responding to the risk, and they aren't going out because of the risk, and it is hurting the businesses because of that. So the real issue is, can we solve the disease? Can we get it under control? Can we throw everything at it that we possibly can? Simply reopening is not going to get people on airplanes. It is not going to get them into a theater. It is not going get them to a live music venue. It is not going to get them flying to Disney.

Ms. WILLIAMS OF GEORGIA. Thank you, Dr. Spriggs. Like my colleagues, I also want to have people get back to work, and I want our economy to recover and work for the people. So, Dr. Spriggs, could you tell us, in your opinion, what happens if we reopen too soon or have a patchwork of States reopening and do not have a coordinated reopening?

Mr. SPRIGGS. My fear is that too often, that will be accompanied by lowering our barriers on the safety issues, and we would reignite the disease. We were warned of that going into this fall. People ignored it, and now we have the disease on a path we are so uncertain of. We are hopeful that it has peaked, but it has peaked now with variants that are even more dangerous, so we can't take our eye off the ball. We must concentrate on safety first.

Ms. WILLIAMS OF GEORGIA. As we have heard, communities are still being ravaged by the pandemic. Millions of workers are struggling to find work, and countless families are facing a looming eviction crisis. There is currently an eviction moratorium in place by the CDC halting evictions through March 31st. However, we know that several States, including my home State of Georgia, have been continuing with the eviction proceedings for months. Mr. Anthony, as we work to pass the necessary proposals in President Biden's rescue plan to assist families, how can we ensure that CDC eviction moratoriums are being enforced?

Mr. ANTHONY. Congresswoman Williams, thank you for that question. I think what we need to do is to have our local leaders, our mayors and our council members work with the local legal center to make sure that the rights of those people are not taken for granted. And I think that local leaders are committed to that by the programs that they have created, and the mayors, again, in your region are models for that. Atlanta and other mayors are doing an amazing job in trying to make sure that evictions do not occur without some place for people to live.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Anthony. As we work towards slowing the spread of COVID-19 and ensuring that the majority of the country is vaccinated, we must continue to provide emergency funding to help families and communities recover. Thank you, Mr. Chairman, and I yield back the balance of my time.

Mr. PERLMUTTER. Thank you. The gentlelady yields back her time. The gentleman from Illinois, Mr. Garcia, is recognized for 5 minutes.

Mr. GARCIA OF ILLINOIS. Thank you, Mr. Chairman, and all of the witnesses, and I want to thank Chairwoman Waters and the ranking member for holding this hearing. This Congress has to deliver more relief, and we have to do it fast. And I applaud our witnesses for joining us today to talk about how our communities across the country are experiencing this pandemic.

I would like to ask Ms. Murguia a question regarding housing. I thank you for joining us today. As you know, I represent a working-class Latino district, and communities like mine have been hit especially hard. Essential workers in my neighborhood worry about getting their family sick when they come home from work. Especially in times like this when money is tight, intergenerational living puts entire families at risk. And a report came out last month saying that one-quarter of Latinos in Illinois think they will miss their rent payment. Families are worried about losing their homes. Can you talk a little bit about why it is so important to keep families in their homes, and tools like rental assistance and counseling that can help do that?

Ms. MURGUIA. Yes. Thank you, Congressman. Thanks for your leadership on so many issues, but particularly this one. I know we have worked on the impact of systemic inequalities and how that has impacted communities of color in terms of our Latino community, and we are seeing that in healthcare, but of course now economically through the pandemic, and in housing in particular, and it has been devastating. Our Latino workers are the essential workers, and they are being crushed right now by this pandemic.

And I would just say it is absolutely essential for us to up the housing counseling assistance funding right now. The Housing Counseling Program gives that early intervention that really does empower renters and homeowners to stay in their homes, and this support is also accessible to mixed-status families who have been cruelly left out of Federal assistance. So we do know that there is a high success rate as well. In terms of when families and individuals are able to get that counseling, it is 3 times more likely to allow them to stay in their homes. So we do understand that that helps us prevent homelessness and eviction by helping these renters locate secure and retain affordable rental housing or stay in their homes.

So, housing counseling improves outcomes, and that helps create stability for these families, and in our economy, so it is very important. And what we have found, and as you know, in Illinois, Unidos affiliates, like the Resurrection Project, have the trust of communities. They have the cultural competency and are able to provide the linguistic support to be able to effectively connect with these families. That is going to be true for housing. It is also going to be true for vaccines, which we know have to be more equitable in terms of their distribution, and to gain the confidence for our community to do that.

So, across-the-board, we know that this nonprofit network, the community-based networks, become key. UnidosUS has the largest Latino housing counseling network in the country, and it has proven to be very effective, but we need to grow that footprint and its impact with more funding. Thank you, Congressman, for your leadership.

Mr. GARCIA OF ILLINOIS. Thank you, Ms. Murguia, and as a former housing counselor, I couldn't agree with you more. On the special drawing rights, I would like to ask Dr. Spriggs, whether it is the virus or the economy? We talk a lot about how we are all in this together, but if we don't keep people safe, we will keep spreading the virus, and if we don't get money into people's pockets, we won't see economic growth.

But that is true on a global scale, too. Like many others in my neighborhood, I moved to this country from Mexico. It matters to me and my community that Mexico is able to fight the virus effectively, and, of course, it matters to us here in the U.S., and that the global economy recovers. The AFL-CIO is a major proponent of the International Monetary Fund (IMF) issuing special drawing rights. Could you talk a little bit about what those are and why a large issuance is so important? You have about 33 seconds.

Mr. SPRIGGS. Thank you so much for the question and for your leadership on banking issues. Yes, it is vital that governments not face fiscal constraints when it comes to them responding on the global scale, and that is why we want these special drawing rights. It is not a time right now for finger pointing and arguing about which countries we think were profligate or anything like that. It is time to let them be unfettered in responding, and we don't want them to go into early austerity. You don't want them to start cutting their budgets and cutting their services because that will hurt the rate of recovery for the global economy. And they are all going to turn to wanting to export to the United States as their number-one answer if we force them into austerity.

Mr. PERLMUTTER. Thank you. Thank you, Dr. Spriggs. The gentleman's time has expired, and now we will recognize Mr. Auchincloss from Massachusetts for 5 minutes.

Mr. AUCHINCLOSS. Thank you, and thank you all for being here. Our nation's response to this pandemic has revealed significant gaps in our domestic ability to rapidly deploy key medical equipment and supplies in the face of ever-changing requirements. The Biden Administration has taken action since day one to accelerate vaccine deployment, in part by invoking the Defense Production Act (DPA), but the reality is that it will be a while before we have the supply to meet the need. In Massachusetts, we have the personnel and equipment needed to distribute vaccines. We just don't have the vaccines themselves in sufficient supply.

My question is for Mr. Anthony. We know that the Defense Production Act could be invoked to provide PPE, like N95 masks, gloves, and gowns. These are in short supply, and we must ramp up their production for States and local governments. As we begin to implement our mass vaccination campaign, it appears that the supply of the vaccine components will be the limiting factor. How can the DPA be used to address this bottleneck for States and local governments? How can we use the DPA to actually expand the supply of vaccinations themselves?

Mr. ANTHONY. I think that one of the things that most citizens have an assumption on, Congressman, is that most cities have access to the distribution and supply of vaccines, and, in fact, probably 90 percent of cities do not. It is a State- and county-level process. What we are hoping is that you will partner with those cities, those neighborhoods, those churches, and those places in the community so that we can get the vaccine in the arms of people very quickly, especially people of color.

In my State of Florida, where I grew up, they are, in fact, using one of the high-class, I would say, grocery store chains to get access, and it is not working because those citizens don't have access. So, local government is the answer.

Mr. AUCHINCLOSS. Thank you, Mr. Anthony. I will yield back my time.

Mr. PERLMUTTER. The gentleman yields back. Thank you, Mr. Auchincloss, and I don't think we have any more Members. To our panelists who have shown incredible stamina, thank you all very much. I would like to thank you all for your testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

Again, thank you all very much for your diligence, your stamina, and your testimony today. And with that, this hearing is adjourned.

Mr. ANTHONY. Thank you, Mr. Chairman.

Mr. PERLMUTTER. Everybody have a good day.

Mr. JOHNSON. Thank you. Have a nice day.

Mr. PERLMUTTER. You, as well.

Ms. MURGUIA. Thank you.

[Whereupon, at 2:19 p.m., the hearing was adjourned.]

A P P E N D I X

February 4, 2021

NATIONAL LEAGUE OF CITIES

CITIES STRONG TOGETHER

SPOKEN REMARKS

STATEMENT OF

CLARENCE E. ANTHONY
CEO AND EXECUTIVE DIRECTOR OF THE NATIONAL LEAGUE OF CITIES

BEFORE THE HOUSE COMMITTEE ON FINANCIAL SERVICES

“MORE THAN A SHOT IN THE ARM: THE NEED FOR ADDITIONAL COVID-19 STIMULUS”

FEBRUARY 4, 2021
WASHINGTON, DC

Statement of

Clarence E. Anthony

CEO and Executive Director

National League of Cities

Before the House Financial Services Committee

"More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus"

February 4, 2021

Good morning, Chairwoman Waters, Ranking-Member McHenry and Members of the Committee. I'm Clarence Anthony, CEO and Executive Director of the National League of Cities and former Mayor of South Bay, Florida. NLC is the nation's foremost resource and non-partisan advocate for municipal governments and their leaders, representing all of America's 19,000 cities, towns, and villages. The cities and towns in your districts are likely members of NLC. Today, I'm speaking on behalf of all local governments that have gone above and beyond to overcome the COVID-19 emergency.

- Local government employees are truly on the frontlines, enforcing measures that protect residents from catching and spreading COVID-19.

- Local community and economic development departments are stabilizing households and small businesses harmed by losses from COVID-19.

- Local elected officials are making painful budget cuts to preserve essential day-to-day operations that sustain cities as economic engine and places of opportunity.

- Residents are relying more than ever on safety net programs that local governments are responsible for putting into action.

We are grateful for funding provided in prior emergency relief packages. But the fact remains that local budget revenues are far below normal collections. Municipal governments alone are facing a $90 billion shortfall on one-year revenues. This doesn't include the losses facing county, state, tribal, or territorial governments.

NLC supports the FY 2021 Budget Resolution and reconciliation instructions that dedicate $350 billion for emergency intergovernmental budget relief. If you hear from the local leaders in your districts, you know this is no bailout.

Labor market data shows that local governments are still cutting jobs to offset revenue losses and unexpected spending related to COVID-19. The December jobs report from the Bureau of Labor Statics revealed local governments have cut a shocking 32,000 jobs. Public sector employment is down by more than a million jobs compared to February 2020.

Municipal job cuts and capacity losses have immediate across-the-board consequences for residents and small businesses. Emergency funding has provided aid to the private sector, and to residents harmed by coronavirus. SBA and Treasury programs provided businesses with access to credit. HUD programs provided funding to help homeless residents, renters, and small businesses.

The role of local governments in these programs is to connect emergency resources to those in need. That required drawing up new programs to make rent and utility payments on behalf of residents; and standing up new operations to help small and minority-owned businesses overcome obstacles, like language barriers, apply for assistance

Even though cities are essential for these programs success, our urgent request for public sector help has not been answered. The private sector agrees with us! In May, more than 170 businesses and organizations sent a letter to Congress urging direct federal aid to localities.

There is no question additional housing aid is as necessary as the direct aid we seek for local governments. NLC's landmark report on housing stability, "Homeward Bound, the Road to Affordable Housing" shows that housing stability is a prerequisite for economic-mobility, job-security, and health.

From the outset of the pandemic, NLC told local governments to prioritize housing stability. We provided steps for proven strategies like designating housing stability coordinators and agency response leads, enacting temporary protective ordinances, standing up new programs, and working across jurisdictional lines. These are sophisticated and staff intensive interventions, which are not easy during a budget calamity.

As a result of lay-offs and operational decline, many local governments are less able today to enact this kind of guidance than they were immediately after the CARES Act passed. At that time, Congressional leaders on both sides said more state and local aid would be provided next time. That told local governments to delay cuts to employment and services. Now the window for delays is closed, and cuts are being made to so local governments can balance their budgets.

The new Emergency Rental Assistance program is a reasonable response to the emerging, economy-killing eviction cliff. Roughly one out of every five people living in a renter household – 40 million people- are at risk of eviction right now. Tenants will owe something on the order of $70 billion in back rent, and landlords are struggling to maintain their properties. When small landlords lose properties, the nation loses affordable housing.

But the delivery system for that aid - state and local governments - has been damaged. According to NLC's City Fiscal Conditions report, nearly 8 in 10 finance officers said their cities were less able to meet the needs of their communities in 2020 than in 2019. In December NLC found 90% of municipal governments have experienced a revenue decrease of 21%.

Local governments are running out of ways to paper over dramatic losses, and when that happens declines won't stop with new programs. Declines mean sudden reductions in waste collection and recycling programs, delays in permitting for home construction and renovation, longer wait times for inspections and licensing, reduced services for households that rely on public transit, and indefinitely pausing plans for utility build-out and upgrades to water and sewer lines and broadband infrastructure.

Let me say this clearly – residents and small business who turn to their local governments for help do not see that help as partisan, and Congress should not view helping local governments through a partisan lens. The following principles will ensure help gets to all localities:

1. **Emergency funding should be fair and appropriate for each and every local government, with no minimum population threshold for eligibility.**

2. **Allocations of aid should be built on familiar and proven government revenue sharing programs like CDBG,** which is already the most familiar revenue sharing mechanism for states and localities operating at reduced capacities.

3. **Funding should be separate for states, counties, and municipalities.**

4. **Eligible expenditures should be targeted to the widespread health and economic consequences of COVID-19**, including unavoidable revenue shortfalls.

Conclusion

On Monday, CBO warned that unemployment is unlikely to improve this decade. Unemployment is THE key indicator for locally-derived revenues. If middle and low wage workers are struggling to survive, local governments will be struggling too.

Federal aid for all local government will not only offset losses and restore local government operational capacity, but local governments will do the right thing by restoring municipal jobs and rehiring staff if Congress provides them the opportunity to do so. On behalf of cities, towns, and villages -and in the words of Alexander Hamilton- we will not throw away our shot.

February 4, 2021

Committee on Financial Services Hearing Entitled

"More Than a Shot in the Arm: The Need for Additional COVID-19 Stimulus"

Written Testimony of
Derrick Johnson
President and Chief Executive Officer
National Association for the Advancement of Colored People

Good morning, Chairwoman Waters and Ranking Member McHenry. Madam Chairwoman, thank you for the invitation to testify on the timely and important topic of the need for additional COVID-19 relief. I am excited about your leadership at this crucial time and look forward to working with you.

On behalf of the more than two million activists who make up the NAACP, I want to highlight some of the racial justice challenges faced by Black Americans and that have only been exacerbated by the COVID-19 pandemic. To be clear, this pandemic has been and continues to be an issue of life and death. Nowhere is that more evident than in the African-American community where one out of every 660 Blacks has been killed by COVID-19. In addition, the ongoing impact being borne by surviving family members, workers, educators, business owners and school-age children are significant. As a result, the NAACP has advocated for substantial changes to social safety net programs, robust testing and outreach, and the creation of new, targeted financial assistance for individuals and businesses.

Members of this panel have been instrumental working alongside the NAACP. In December, Rep. Pressley helped us make the case for cancelling student loan indebtedness. Congressional Black Caucus (CBC) Chairwoman and member of this Committee, Rep. Beatty has used her platform to amplify our calls for justice, equality and equity. Former CBC Chairman Cleaver has been sounding the alarm on testing and racial disparities. I would be remiss if I did not also acknowledge my mother's representative, from Detroit, Rep. Tlaib who continues to be a courageous truth-teller in this fight.

Turning to the call of this hearing, more than $1.7 trillion of student loan indebtedness is currently being held. The NAACP believes this indebtedness should be cancelled and used as a stimulus for this lagging economy. These monthly payments could be directed toward savings or other spending that could boost GDP. Families from coast-to-coast, irrespective of geography, class or race would see a significant burden lifted. President Biden's recent announcements extending forbearance until the end of next month was a step in the right direction, but more is needed. Congress can help.

While some of the federal government's efforts have met with measured success during the pandemic, others leave much to be desired. The Paycheck Protection Program (PPP) struggled to provide timely resources to small and Black-owned businesses while seemingly fast-tracking loans and grants to well-heeled corporations ten million dollars at a time. The banks that have been charged with processing PPP applications have cited technical errors with the web portal. Meanwhile, the self-employed were only allowed to participate in the program a week after other larger businesses had received the lion's share of available funding.

In Houston, our activists and local leaders have taken it upon themselves to stem the tide of pandemic evictions. Nationwide, when the NAACP leaned into the eviction and foreclosure crisis last year, we received more than 17,000 applications for assistance in the first two days. More than 37,000 families expressed need and interest in the eviction prevention tools we brought to the table. Similarly, 50,000 businesses expressed interest as the pandemic raged. These are folks who go to work every day to provide a quality of life for their families. They deserve an honest day's pay for an honest day's work. With the poverty guidelines suggesting that a family of four can survive off of $26,501 with substantial government support, the NAACP believes it's past time that Congress increased the federal minimum wage to an inflation-indexed $20 per hour. This would give poor folks who go to work every day a fighting chance.

Throughout this pandemic, COVID-19 testing in medically underserved communities – primarily poor and majority Black – has been woeful. Equitable vaccine distribution has been elusive in Miami-Dade County. In Georgia, corrections agencies are turning a blind eye as the pandemic ravages those entrusted to their care. In this most recent phase of the pandemic when many are turning their attention to the FDA-approved vaccines, the systemic and persistent issues of health and health care disparities, lack of education and outreach, and justified mistrust have hampered efforts to more fully include all Americans in what could be the last front of this COVID-19 war.

These are some of the reasons why the NAACP's 2,200 local chapters have been engaged at historic levels. Few times in our 112-year history have required the creativity, resourcefulness, diligence and mobilization of the last eleven months. We have forged stronger relationships with partner organizations, including many that have been on the frontlines of these fights for justice and equality for decades. Now, we find ourselves at a critical juncture.

Our nation is undergoing a racial justice crisis unparalleled in the modern era. Three powerful forces have elevated the urgency and necessity of eliminating systemic inequity: a pandemic that has hit communities of color the hardest; an escalation of police violence against Black people; and four years of a presidency rooted in white supremacy and bigotry that culminated in an insurrection against this very body, the United States Congress. We cannot afford a siloed or piecemeal approach to racial justice. To fully address the significance and impact of this national crisis, we must look beyond traditional governmental structures and tools to fulfill this mandate. This requires leadership at the highest level of government to focus exclusively on racial justice.

The work of this Committee will be instrumental. A systemic review and analysis of federal agencies under your purview is required to identify how the government itself is reinforcing institutional barriers that perpetuate racial inequality and impede progress toward meaningful equal opportunity for all. This would include a review of agency roles in creating and maintaining disparities, segregation, and discrimination and would involve evaluating current agency structures and programs to identify those components that still obstruct racial justice and those that can be better utilized to promote equity. Increasing funding for minority-serving CDFIs and strengthening the CFPB are among the top priorities for the NAACP. Racial barriers continue to stymie our collective advancement. The need for a strengthened Community Reinvestment Act and targeted funding for minority-serving financial institutions require this Committee's attention. This is the time to develop action plans for reducing and eliminating identified institutional barriers and to coordinate actions among cabinet members to enact comprehensive and sustainable changes across agencies to reduce racial disparities. The future of our nation depends on these comprehensive, systemic, and interlocking solutions for addressing racial justice and healing the "soul of our nation."

Thank you, and I look forward to your questions.

Latinos: Overrepresented in Covid Cases, Underrepresented in Relief

Presented at

"More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus"

Submitted to

U.S. House of Representatives Committee on Financial Services

Submitted by

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February 4, 2021

INTRODUCTION

Good morning. My name is Janet Murguía, and I am the President and CEO of UnidosUS, formerly the National Council of La Raza, which is the largest Hispanic* civil rights and advocacy organization in the United States. For more than 50 years, we have worked to advance opportunities for low- and moderate-income (LMI) Latino families so that they can achieve economic security and build wealth. In this capacity, UnidosUS, with its network of nearly 300 Affiliates—local, community-based organizations across the U.S. and in Puerto Rico—provides education, health care, housing counseling, workforce development, and financial coaching programs to millions of citizens and immigrants. I would like to thank Chairwoman Waters and Ranking Member McHenry for inviting me to participate in this timely and critically important hearing.

For more than two decades, UnidosUS has published reports, provided testimony, and engaged in advocacy for strong fair housing and fair lending laws, such as the Community Reinvestment Act, as well as increased access to financial services for LMI individuals and households and expanded homeownership opportunities in the Latino community. UnidosUS has conducted original research on the experiences of LMI communities of color in accessing affordable rental housing and homeownership as well as credit and financial services, and has authored numerous reports, including *The Future of Banking* (2019); *Latinos and the Great Recession: 10 Years of Economic Loss and Recovery* (2019); *Latino Homeownership 2007–2017: A Decade of Decline for Latinos* (2019); *Calling It Home: Latino Rental Housing Affordability* (2019); *Always Hustling: Insights on Latinos in the Gig Economy and Enhancing Financial Stability* (2020); *Struggling to Stay Home: Latino Renters in the COVID-19 Pandemic* (2020); and, with the National Community Reinvestment Coalition, *Hispanic Mortgage Lending: 2019 HMDA Analysis* (2020).

In addition, the UnidosUS Wealth and Housing Alliance (UWHA) is the nation's largest network of community-based organizations working to empower Latino wealth-building through homeownership. Established in 1993, the housing counseling program was created as a pilot to provide culturally competent, linguistically appropriate, one-to-one counseling to prospective Latino homeowners and was designed to overcome the widespread lack of knowledge in the Hispanic community about the mortgage financing process. The program's success played a major role in creating and supporting appropriations to fund the U.S. Department of Housing and Urban Development's (HUD) Housing Counseling Program. Twenty-eight years later, the UWHA has grown to a nationally recognized housing counseling intermediary designated by HUD to train and credential other housing counseling networks. It includes 50 independent community-based organizations and supports more than 60,000 families a year in their journey to homeownership and the American Dream.

I offer this testimony to provide background on the persistent effects of historical, systemic, and structural bias in our housing and financial services systems and how this has contributed to a disproportionate impact on the Latino community in the wake of the COVID-19 pandemic. This testimony also provides recommendations to consider for future pandemic relief legislation that fully and equitably responds to the most vulnerable families and communities in our nation.

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. This document may also refer to this population as "Latinx" to represent the diversity of gender identities and expressions that are present in the community.

DISPARITIES FROM THE GREAT RECESSION PERSIST

As of 2019, there were 60.6 million Hispanics in the United States.[1] In recent years, Hispanics have accounted for slightly more than half of the total population growth in the nation. By the year 2030, they are projected to account for more than one in five Americans. The median age of Hispanics is 30 years old, while the national median is 38.

The year 2020 marked the end of one decade since the peak of the last financial crisis (2007–2009) and the beginning of the Great Recession. Latinos experienced an uneven recovery during this ten-year period. The housing crisis at the center of the Great Recession stripped a collective 66% of wealth from the Latino community.[2] In 2014, the Latino homeownership rate reached its lowest point at 45%—a five percentage point drop from 50% in 2005, which was the first significant decline since 2000, when Latino homeownership was steadily on the rise. Furthermore, millions of Latinos who lost their homes to foreclosure were pushed into an expensive rental market; by 2017, 4.4 million Latinos were spending 30% or more of their paychecks on rent, an increase of 1.2 million from 2007.

As a majority of Latinos' assets are tied to home equity, the drop in homeownership signaled an even greater loss of Latino household wealth, experiencing a 42% decline between 2007 and 2013 alone. Between 2013 and 2016, Latino wealth began to rebound—reaching $20,600—but in 2016 it was still 16% less than it had been in 2007.

Hispanic neighborhoods also sustained comprehensive and lasting damage from the Great Recession. In 2008, more than three in five (62%) Latino homeowners saw foreclosures in their neighborhoods.[3] Banks began disproportionately to take possession of more homes in counties where Hispanics accounted for more than 25% of the population, compared to counties overall.[4] As homeowners were pushed out, investments flowed out, creating the rapid deterioration of neighborhoods and surrounding communities.[5] Even as the foreclosure crisis began to subside, many homes in urban centers and minority neighborhoods remained underwater,[6] opening the door to predatory investment activity and driving away community-driven reinvestment.

The job recovery for Latinos was also mixed. By 2017, the Latino unemployment rate dropped significantly to 5.1% from 12.9% in 2010.[7] This was the first return to pre-recession levels in a decade, yet the rate remained higher than the national average of 3.9%. In late 2019, Latinos comprised one out of every six workers in the U.S., with a 68.1% labor force participation rate, compared to 63.4% nationally, and enjoyed a historically low unemployment rate of around 4%. With increased labor force participation, the Latino median household income also grew.[8] Yet, disparities remained for Latinos in job quality—the combination of earnings, benefits, job security, underemployment, and paid leave, leaving many workers and their families struggling to make ends meet. According to the United States Congress Joint Economic Committee, full-time Hispanic workers earned lower median salaries compared to workers overall, leading to lower incomes for Hispanic households. Data from 2018 show that Hispanic households still earned less annually, at $51,500, compared to $70,600 for White households and $63,200 for households overall. Furthermore, Hispanics lag behind White households in terms of assets and wealth. The median net worth of Hispanic households is $20,600, just one-eighth that of White households ($171,000).[9]

Meanwhile, the Latino community made additional gains in college attainment and health care coverage. Between 2007 and 2017, college enrollment for Latinos increased from 12.1% to 19.4%.[10] By 2019, the share of Latinos with bachelor's degrees increased to 19%, from 11% in 2000. And from 2007 to 2017, more than 4 million Latinos throughout the country secured health insurance coverage through the Affordable Care Act (ACA).[11] In the context of a recession, making health care more accessible and affordable is a critical lifeline and economic remedy to protect families.

The uneven recovery from the Great Recession contributed directly to the economic conditions and status of the Latino community and its ability to endure a significant economic downturn. According to a national poll of Latino voters in February 2020, 86% were concerned about rising housing costs and were struggling to make ends meet.[12] In addition, they recognized that the country's economy was growing, but that the Latino community was not receiving the same boost as others were, and they were not seeing the same gains from economic growth as their peers. The effects of an uneven recovery and systemic barriers will continue to play a role in how Hispanics view their place in the economy, opportunities for future success, and overall economic inclusion.

COVID-19 HAS DISPROPORTIONATELY IMPACTED LATINOS

The COVID-19 pandemic and ensuing economic downturn have dealt a huge blow to the country's economy, while also amplifying deep divides and inequities in American society. For example, the Latino experience can be described in one defining word: "disproportionate." Latinos are disproportionately overrepresented among essential workers helping America survive the pandemic and are thus disproportionately at risk of getting sick with and dying of COVID-19. And yet, despite their contributions, many have been left out of federal health and economic relief.

In December 2020, the Bureau of Labor Statistics announced that the national unemployment rate was 6.7%, down from a peak unemployment rate of 14.7% in April 2020 just after the outbreak of COVID-19.[13] Throughout the duration of the pandemic, the unemployment rate for Latinos has remained higher than the rate for White workers and workers overall. For example, it was 9.3% in December, three percentage points higher than for White workers.[14] Unemployment for Latinos also peaked in April 2020 to 18.9%,[15] which was significantly higher than the national rate and the highest among all racial and ethnic groups.[16] Meanwhile, the Hispanic labor force participation rate tumbled five percentage points from 68% in February to 63.3% in April.[17]

Since the outbreak of COVID-19 in the United States, UnidosUS has been tracking the pandemic's devastating impact on Latino workers and their families. Within one month of the outbreak, Latinos were disproportionately losing work and wages while remaining at high risk of exposure to the virus. This is partly due to a greater share of Hispanics being employed in frontline and essential jobs, putting them in contact with the public. According to the Center for Migration Studies, 70.5% of Hispanic workers are employed in essential industries.[18] Hispanic immigrants are more likely to hold essential and frontline jobs in settings where they continue to work in close contact with the public. While 67.1% of native-born Hispanics work in essential sectors, 79.3% of Hispanic noncitizens without legal status work in essential industries.[19] Research from the AFL-CIO from October 2020 highlights the increased risk that Latino workers face of contracting and dying from the virus.[20]

CHART 1: Latinos in Essential Jobs

Source: UnidosUS calculation using U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey." Tables 11 and 18, https://www.bls.gov/cps/tables.htm (accessed June 23, 2020).

Latino workers have also been impacted disproportionately by the economic downturn. This is due to their overrepresentation in industries—such as the service, entertainment, and hospitality sectors—that shuttered temporarily or were forced to close completely. Conversely, Latinos were the least likely to work in industries that were the least impacted (such as the finance, telecom, and information sectors), which provide the ability to work from home. This explains why half of all Latino workers lost their jobs or took pay cuts when the COVID-19 shutdown began in March, compared to only one in three U.S. workers overall.[21] The disproportionate loss of jobs has also eroded the economic security of Latinas. For example, in June 2020, unemployment among Latinas peaked at 20.5%, higher than for Hispanic workers overall (14.5%).[22] Before the pandemic, Latinas already faced a growing gender wage gap[23] and were already more likely than men to be in poverty, with one in five Latinas struggling to live above the poverty line.[24]

The COVID-19 pandemic has also impacted the growth in Latino small businesses over the last decade. Hispanic-owned businesses annually contribute billions of dollars to the American economy,[25] providing sources of wealth for their families and new jobs in communities throughout the country.[26] Before the pandemic, Hispanic small businesses grew at a rate of 34%, compared to only 1% of non-Hispanic businesses,[27] yet have struggled to continue operations as the economy continues to suffer. According to research from Stanford University, in March 2020, 65% of Latino-owned businesses reported they could not survive beyond six months.[28] In May 2020, a poll by UnidosUS and Color of Change found that one in five African American and one in ten Latinx small business owners had to close temporarily due to COVID-19.[29] In addition, nearly half of those small businesses expected that they would close within six months if the pandemic continued.

The loss of employment has eroded the income of Latino households and amplified inequality in Latinos' access to an affordable home. The effects of historical and contemporary policies that affirmatively discriminate against Latinos, immigrants, and people with limited English proficiency (LEP) have created structural barriers for low-income Latinos and immigrants seeking housing assistance,[30] forcing families to choose between family separation and eviction from their homes. While housing insecurity has worsened throughout the country, the risk of eviction and foreclosure is acute for Latinos. Before the pandemic, Latino renters were already burdened by high housing costs and had lower levels of wealth, placing them in a precarious position if faced with enduring an economic recession.[31] According to a national poll, six months after the COVID-19 outbreak, nearly one-third (28%) of Latino households said they had trouble paying the rent or their mortgage because of the pandemic.[32] By November 2020, 18% of Latino homeowners were falling behind on their mortgage payments, compared with 10% of homeowners overall.[33] By December, nearly one-fourth of Latinos were behind on rent payments, compared with 19% of U.S. renters overall.[34] Furthermore, Latinos are less likely to access programs that would help them avoid foreclosure, such as forbearance.[35] Another wave of foreclosures would force families into an unaffordable rental market, increase homelessness, and exacerbate the Latino wealth gap.

Latinos Have Been Excluded from Relief

Structural and systemic barriers that existed before the pandemic outbreak have hindered Latinos' ability to take advantage of relief efforts now. For example, legal barriers block access to health coverage for millions of immigrants and mixed-status families, and Latinos remain less likely to work in jobs that offer health insurance in a system widely based on employer-provided coverage. Families face similar barriers to food assistance, or SNAP, because of their immigration status and work requirements. Furthermore, concerns about the expanded public charge rules instill fear in immigrants who then do not access benefits, such as rental assistance, even when their families are in need. Unemployment Insurance (UI) has also underserved Latinos in this economic downturn. Despite early changes to eligibility requirements for gig workers and independent contractors, many Latinos working in nontraditional jobs were unaware that they were eligible for benefits, and those who were aware faced heavy burdens in acquiring the documents they needed to verify employment. At the same time, Latino business owners had trouble accessing the Paycheck Protection Program (PPP), and as of May 2020 only 12% of Black- and Latino-owned small businesses had received any of the assistance for which they had applied.[36]

A substantial share of the Latino community was excluded from the earliest economic relief and aid under the CARES Act. In particular, tax-paying adults who file taxes with an ITIN number and their family members—including U.S. citizens and lawful residents—were excluded from receiving Economic Impact Payments in April 2020. Experts estimate that this affected 3.7 million children and 1.7 million U.S. citizen spouses. Among the most vulnerable to the health and economic impacts of the COVID-19 pandemic are mixed-immigration-status families, in addition to an estimated 4.5 million Latino children who live in homes with at least one undocumented parent. Policies that exclude U.S. citizen children and mixed-status families from relief will only increase economic deprivation in the short term with incalculable long-term effects on their future well-being.

THE AMERICAN RESCUE PLAN MUST INCLUDE LATINOS

With the release of President Biden's COVID-19 response proposal, the American Rescue Plan, Congress now has an opportunity to deliver a truly inclusive relief package that aligns with the president and his administration's commitments to racial equity and an inclusive economic recovery. In December 2020, nine months after the passage of the CARES Act, Congress ushered in additional emergency pandemic relief with the passage of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021. UnidosUS is encouraged by Congress's bipartisan efforts to provide an additional round of stimulus checks that includes certain mixed-status families; to extend unemployment benefits, rental assistance, and protections against evictions; and to inject federal funds into free vaccine distribution.[37] However, this was only a down payment on the inclusive relief package still needed.

The American Rescue Plan aligns with many of UnidosUS's priorities to ensure an inclusive recovery that prioritizes racial equity and protects all workers and their families. We are pleased to see that the proposal by President Biden includes:

- **Supporting workers.** The plan would provide an emergency $400 per-week UI supplement through September 2021 which is available to self-employed and gig economy workers, raise the minimum wage to $15 per hour, expand paid sick and family and medical leave to 14 weeks, and extend emergency leave through September.

- **Supporting families.** The plan would provide an additional $1,400 in stimulus checks for individuals, as well as expand and make the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) refundable for the year. In addition, it would help to keep families in their homes by extending the eviction and foreclosure moratoriums through September and allowing homeowners with federally backed mortgages the ability to apply for mortgage relief until then, providing funding for legal assistance, and providing $35 billion in assistance to renters.

However, the plan is missing critical supports for workers and homeowners, as well as investments in communities that remain excluded from current aid and protections and will feel the effects of the crisis long after the pandemic is over.

- **The proposal fails to clarify if aid would be available to all workers and families, regardless of immigration status.** For example, it is not clear that the next round of stimulus payments would be available to all members of mixed-status households, including ITIN holders and the children of undocumented parents, and the proposal does not address rules that prevent families with undocumented children from claiming the CTC.

- **It does not include support for homeowners and funding for housing counseling assistance.** Housing counseling is proven to be critical tool for the hardest-hit and hardest-to-reach communities to get the help they need to keep their homes and access relief. The plan does not protect millions of homeowners whose mortgages are not federally backed from foreclosure and does not give aid to homeowners who have been losing income and postponing mortgage payments month after month.[38]

- **It lacks the bold, necessary investments in neighborhoods and communities hardest hit by the pandemic.** This proposal does not include federal funding for reinvestments in neighborhoods and communities that were still recovering from the Great Recession before the pandemic and are struggling to endure the impacts of the pandemic. Furthermore, we were disappointed that the plan does not include much-needed funding for states to update and improve their UI systems, which would ensure that all eligible workers can receive the support they need.

Solutions to Build Back Better

The federal government must recognize the Latino community's contributions to our country on the frontlines of the pandemic. Furthermore, Congress, in lockstep with the Biden administration, must address the systemic inequities that have led to the disproportionate health and economic impacts of the pandemic on the most vulnerable in the nation. Failing to include everyone in final legislation is morally indefensible, will worsen pre-pandemic economic inequalities, and is detrimental to the interrelated goals of controlling the pandemic and making a rapid, sustainable economic recovery. UnidosUS offers the following proposals to ensure that any future legislation fully and equitably responds to the sacrifice and suffering happening in every corner of the country.

- **Ensure that economic relief and assistance reaches all workers and families harmed by the pandemic, regardless of immigration status.** Any relief package must direct relief and aid to communities hardest hit by the health and economic impacts of COVID-19, and explicitly include segments of the U.S. population that were excluded from previous relief. The package should also build on the "HEROES Act"—which the House passed in May 2020 and which explicitly included immigrants and all members of mixed-status households, including ITIN holders—in proposed relief. Furthermore, Congress should instruct federal agencies to include the needs of Latino and immigrant essential workers and mixed-status families in their design of economic aid and relief. For example, HUD and the U.S. Department of Treasury should provide guidance to state and local governments for ensuring that trusted community-based nonprofit organizations and groups are involved as stakeholders and partners in the planning and disbursement of housing assistance.

- **Increase funding for housing counseling.** Congress should pass legislation introduced last year in this Committee and in the Senate to include $700 million in support for housing counseling services to help homeowners and renters navigate their housing options and rights during the COVID-19 crisis, including the protections and resources provided through COVID-19 relief legislation. HUD-approved housing counseling providers need additional funding to address a significant increase in demand for culturally competent foreclosure and eviction prevention services. Representative Axne (D-IA) introduced the "Coronavirus Housing Counseling Improvement Act" in this Committee in May 2020, and the Senate companion bill was introduced by Senators Menendez (D-NJ), Brown (D-OH), and Van Hollen (D-MD) in June 2020.

- **Expand the current foreclosure moratorium and forbearance programs so that they apply to all homeowners.** Since Congress passed the CARES Act in March 2020, nearly 15 million mortgages that are not federally backed and are held on lenders' books remain unprotected by the current moratorium and at risk of foreclosure. Many Latino homeowners who have lost income due to the pandemic and whose mortgages are held in lenders' portfolios must also be protected against foreclosure. In addition, servicing companies of all mortgages, federally backed and not, should be required to offer homeowners a forbearance period for the full amount of the mortgage payment, and must provide a clear and simple process for the homeowner to apply for mortgage relief.

- **Aid homeowners who are struggling with their mortgage payments.** Congress should pass legislation that was introduced in this Committee last year by Representative Scott (D-GA) to establish a Homeowner Assistance Fund to help homeowners harmed by the pandemic. The "State Housing Relief Act," introduced in May 2020, would provide $75 billion in funding to states, delivering essential support for homeowners in need of mortgage payment assistance, principal reduction, or utility payment assistance. In addition, Congress should require mortgage companies and local governments to communicate with impacted LEP homeowners, using government resources to provide information about available resources and how to get help in at least the top ten non-English languages widely spoken in the U.S.

- **Ensure that the $15 billion for small businesses include money specifically for Community Development Financial Institutions (CDFIs).** To reach critical firms, including minority-owned small businesses that were excluded from early rounds of assistance, any funding for small-business grants must include a set-aside for CDFIs, which prioritize lending to LMI communities and communities of color. CDFIs also play a key role in educating minority business owners about the relief available to them and help them to navigate the application process. Without this support, Black and Latino business owners will continue to be excluded from PPP and other relief programs.

- **Increase federal and private investments in the communities hardest hit by multiple recessions.** Latino workers, their families, and the communities in which they live have not fully recovered from the Great Recession and many neighborhoods remain disinvested Congress should provide bold investments, such as renewed federal funding for HUD's Neighborhood Stabilization Program, which is proven to stimulate public-private partnerships that support communities to build and preserve affordable housing, and community infrastructure. Congress should also ensure that prudential regulators leverage the strength of the Community Reinvestment Act to encourage banks to direct their investments into communities that have been hardest hit and will feel the effects of the current recession long after the pandemic is over.

CONCLUSION

In the years following the Great Recession, Latinos and other communities of color have struggled to rebuild from the devastating loss of wealth, income, and economic security. The uneven economic recovery—along with the persistent effects of historical, systemic, and structural bias in our housing and financial services systems—contributed directly to the economic status of the Latino community prior to the pandemic outbreak. These factors left Latino workers and their families unprepared to endure the disproportionate impacts of the COVID-19 pandemic.

We ask that the recommendations provided here are considered and implemented in alignment with this Committee's work on pandemic relief legislation and with President Biden's January 20th executive order to advance racial equity and support underserved communities through the federal government. We look forward to further discussions on strengthening the federal government's response to the COVID-19 pandemic as well as this Committee's proposals to support the Latino community's inclusion in the nation's economic recovery. I will be happy to respond to any questions raised by this testimony.

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Statement of William E. Spriggs

"The Urgency of Now to Speed the Recovery"

Testimony prepared for

US House of Representatives Committee on Financial Services

117th Congress, First Session

Hearing on

"More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus"

February 4, 2021

Thank you, Chair Maxine Waters and Ranking Member Patrick McHenry, for this invitation to give testimony before your committee today on the issue of our nation's crisis. I am happy to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States; and based on my expertise as a professor in Howard University's Department of Economics.

My testimony today will discuss the immediate challenge our nation faces of a severely damaged labor market and a need to conduct an all-out coordinated federal, state and local government fight to tame the COVID-19 virus. We will need to have in place a full fiscal response to coordinate with current monetary policy to ensure our economy can emerge with a robust and sustainable growth path by addressing inequality. That means we need policies to address the damage of the virus to economic activity, ensure an all-out effort to reduce the incidence of the virus and to regain American leadership globally to heal the global economy as the United States did at the end of World War II.

Despite improvement since April 2020 when our nation lost the greatest number of payroll positions since World War II, through December, we are still down over 9.8 million payroll positions since February 2020. In March Congress reacted rapidly to pass several key economic supports. The efficacy of those policies began to show weakening in waning job gains since July, after key provisions like the $600 in additional weekly unemployment compensation benefits phased out. So, in December, we were again losing jobs. Today, our labor market is missing almost 1.8 million more jobs from its peak, than where we stood at the depth of the Great Recession in September 2010 compared to the labor market's peak in January 2008.

Despite Congressional efforts to put substantial sums into the economy in the second quarter of last year to make up for lost jobs and slower business, and to help devise a vaccine, in the fourth quarter of last year, the economy grew at a significantly slower rate than the third quarter and we begin this year with an economy that is smaller than it was in the second quarter of 2018. This is a dire situation.

Our situation is complicated, because our job losses stem from a failure to control the spread of the coronavirus. Individuals living in high income areas have drastically reduced their consumption of services, especially personal services, restaurant and brick-and-mortar retail consumption, in response to the prevalence of the coronavirus, not in response to health orders to limit business activity. And, this is a vital portion of consumption that is shrinking our economy. Congress acted to help low-income households keep up consumption, preventing the loss of service sector jobs from exacerbating the situation.[1]

To tackle the source of our economy's woes, we need a coordinated effort by the federal government with state and local government partners. But state and local government employment levels are depleting. Through December we had 373,000 fewer state government workers and a little more than 1.0 million fewer local government workers than we had in February. We cannot bring all the public resources to bear on this crucial fight with so many fewer public sector workers.

To get ahead of the rapid spread of the virus, and to respond to the mutation of the virus, all possible resources need to deploy to vaccinate as many Americans as quickly as possible. Congressional action in December failed to address the collapsing state and local government workforce. Given the speed at which we must act to control the virus before further mutations potentially complicate our efforts, it is hard to conceive spending too much. Our current over-reliance on computers and the internet to set up access to the vaccine is totally inadequate to the task before us. Too many people who must be vaccinated simply do not have the technology to be reached using the internet. We cannot afford, at this time, to be penny-wise but pound fullish.

Because Congress acted quickly in the second quarter of 2020, our nation ended 2020 in better shape than had nothing been done. Incomes and consumption of low-income households

[1] (R. Chetty, J. N. Friedman, et al. 2020)

remained as stable as they did, because of support in the CARES Act and the Families First Coronavirus Response Act.[2] But delays in state's being able to implement provisions of the unemployment insurance provisions and the predominance of low-wage workers among those claiming unemployment benefits, many disparities happened within lower income households about the timing, amount and access to unemployment relief. That created racial and gender disparities in who got unemployment benefits, with African Americans and women being less likely to get benefits.

Further disparities in working age people who caught the virus or died from the virus created racial disparities in those who lost income or time from work. An estimate from California, looking at deaths in excess of underlying trends among the working age population, found Latino deaths were 36 percent higher, Black deaths were 28 percent higher and for Asian Americans deaths were 18 percent higher from March to October last year. Those patterns followed the occupation concentration of those workers, where exposure rates to the virus were high: for Latinos, there were 59 percent deaths in excess of trend for food and agricultural workers; for Blacks there were 36 percent deaths in excess of trend among retail workers; and, for Asian Americans there were 40 percent deaths in excess of trend among healthcare workers.[3]

There is a huge reservoir of benefits Congress has yet to tap, given how much our economy has saved from keeping the death toll being even higher. Given the huge numbers of Americans killed by the virus, extraordinary steps and policies are in order. Studies show, for instance, the huge benefits social distancing has made in containing the virus, limiting hospitalizations and deaths.[4] An early study done at the beginning of March estimated a value of $8 trillion saved because of the projected lives saved through to October by practicing social distancing from March through May or June.[5] These clear benefits mean we have large latitude in implementing economic policies to mitigate the costs of fighting this virus, and still come out ahead as a society. And, we have the room to properly account for and address the racial and gender inequalities that are becoming apparent, and that will slow the recovery if not corrected.

[2] (R. Chetty, J. N. Friedman, et al. 2020) (Farrell, et al. 2020)
[3] (Chen, et al. 2021)
[4] (Matrajt and Leung 2020) (Flaxman, et al. 2020) (Hsiang, et al. 2020)
[5] (Greenstone and Nigam 2020)

Why boosting Pandemic Unemployment Compensation to $400 and Pandemic Relief Payments to $1,400 and increasing the federal minimum wage are all important

1. Maintaining aggregate demand

The huge drop in aggregate payroll that hit the U.S. economy in March, April and May was helped when Congress sought the highest replacement rate for this unprecedented fall. And, because the impetus from the virus to order social distancing was a necessary policy choice, some policy certainty is needed by Americans about their future incomes. This is especially true as workers look at the worse labor market prospects ever recorded, despite a small recovery of some jobs in May.

Figure 1 shows the estimate from the Bureau of Economic Analysis of the loss in the personal income accounts from the drop in wages that took place in March. Ahead of

Figure 1

Congressional action to fix problems that may have hampered workers in the leisure and hospitality industries from accessing unemployment insurance benefits, that industry lost over 700,000 jobs. Private sector wages fell in March at an annualized rate of $332.2 billion. With only regular state unemployment insurance in place, and with record millions of people applying each week for benefits, unemployment insurance only made up $43.5 billion of that loss.

But, in April, with Pandemic Unemployment Assistance in place in most states, the unemployment insurance system did a far greater job of replacing lost wages, though the drop in wages was much greater than in March. By mitigating the loss of wages, the economy was able to stabilize. This was a much bigger impact on the part of unemployment insurance than from September 2008 to October 2009 when private sector wages fell during the Great Recession. So, this was vital to the economy. The biggest part of the Pandemic Unemployment aid came from the boost of $600 in the weekly unemployment checks of those who were able to get unemployment benefits. Because states were slow to implement the procedures for the Pandemic Unemployment Assistance and the Pandemic Emergency Unemployment Compensation, large numbers of workers did not get access to those benefits.

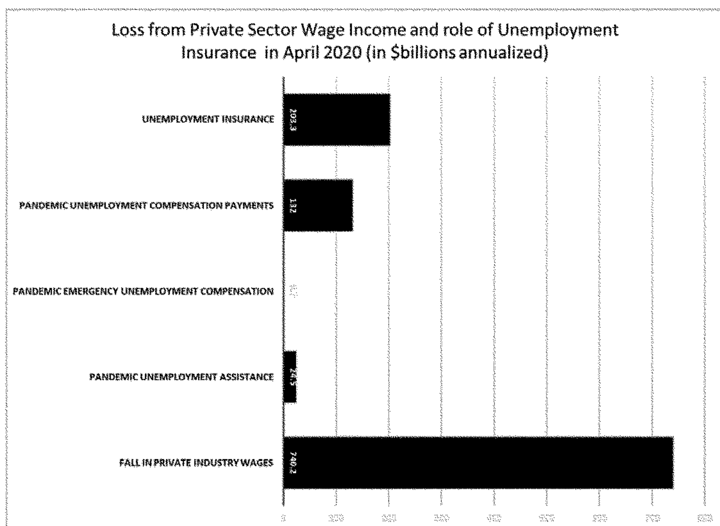

Figure 2

However imperfect the $600 Pandemic Unemployment Compensation Payment was, it must be viewed from its role as a macro-economic stabilizer.[6] And, in the context of the greatest

[6] (U.S. Bureau of Economic Analysis 2020)

recorded loss of jobs in American economic history, the policy response needs to be equally as large to offset such a dramatic income loss shock.

2. Maintaining Equity

A consideration raised by several observers, is a concern about the workers earning below average wages, because they believe the replacement rate for them from receiving $600 is too high. Of course, it is an odd concern to be worried that something helps those at the bottom too much, since normal equity issues are that income inequality in the United States has exploded because too much of the gains in income have gone to the top. So, normally, in discussions of equity, the question is what policies can be put in place so that incomes at the bottom can rise relative to those at the top.

A more careful analysis however, would explain the additional equity concerns brought about by the unusual policy decisions that had to be made to insure the safety of the nation, which is saving the American economy $8 trillion by saving lives. A reasonable attempt to differentiate those industries directly affected by social distancing orders, is that roughly 20 percent, or one-in-five workers were in those industries most highly affected. Workers in those industries tended to be younger, under age 25, and were more likely to be young women, and a higher share were Hispanic. These industries also tended to have a higher share of part-time workers, and single-parent households. The workers at greater risk of being in the affected industries were less likely to have a college degree. They were more likely to be in the bottom 60 percent of the family income distribution, living in families making less than $75,000. For those families in the poorest 20 percent of American families, about 46 percent, almost one-in-two, of households depend on all family earned income coming from a job in one of the most affected industries. And, among those families with a little more income, in the lower-middle income fifth, a little more than one-in-four families depends on all earned income coming from a job in one of the most affected industries. So, these workers are vulnerable workers. While the unemployment rate for the overall economy is staggering, the unemployment rate in April for the workers in the most affected industries was a towering 34.1 percent, which is above the levels we believe were seen during the Great Depression. For Black, Hispanic and for women workers in these industries, their unemployment rates in April were roughly 38 percent.[7]

An analysis of job search choices by workers, and the effect of the high unemployment insurance replacement rate on accepting a job offer must also include the likelihood a worker has of landing a job. If the chances of finding a job are otherwise astronomical, the worse chances any American worker has seen, then modelling the effect of the replacement rate of insurance benefits rates has to be adjusted. Further, a refined model would have workers factor in the experience of the Great Recession, which was that if their unemployment spell lasts too long, they are very unlikely to land another job. Given that these workers are younger, the prospect of waiting out the labor market and retiring is too remote. Further, as these workers are disproportionately from groups who routinely face discrimination, they are all too aware that a difficult labor market for other workers is going to be more arduous for them. So, a fair modelling of their situation would greatly discount the unemployment insurance replacement rate. Therefore, it was little surprise that in May, the labor force flow data revealed a dramatic reversal from the 17.5 million workers who went from employed in March to unemployed in April, to in May when 7.7 million workers went back from unemployed in April to being employed.[8] Most of the small advance in employment that took place was in the most affected industries. Clearly, these workers understand the dire position they are in, and choose work over being cast into the worse labor market any American has seen.

From an equity perspective, the shutdown of their industries, is far more akin to what is observed during plant closings. The economic research is clear. Workers who experience plant closures suffer permanent income loss.[9] It is unlikely that the almost 12 million workers who lost their jobs from February to April in the industries affected by social distancing policy will all find their way back to their previous employers. So large numbers of workers, who were already earning low wages, will likely suffer long scars from this policy choice. A different way to look at their replacement rate, is to look at the loss to their permanent incomes they are likely to suffer and how much is being replaced by unemployment insurance. To build a robust recovery, it is

[7] (Dey, et al. 2020)
[8] (U.S. Bureau of Labor Statistics 2020)
[9] (Couch and Placzek 2010)

necessary to build in that calculation because it will not be a quick return to work for these Americans.

Those who are worried about work disincentives should instead note that a disproportionate share of the workers who were negatively affected were women. And, if adequate funding does not flow to state and local governments very soon, there will be too much uncertainty around school openings. The result will be, with insufficient support, women will find it difficult to handle schools being partially closed and getting to work.

3. Racial equity

While Black workers were not as likely as Hispanic workers to be in the affected industries, those Black workers in the affected industries made Black family income as negatively affected as was the case for Hispanic families. So, while income losses were reported across all income ranges, because the losses were more severe among those families with incomes below $75,000, a higher share of Black and Hispanic families suffered income drops. Figure 3 shows this disparate outcome.

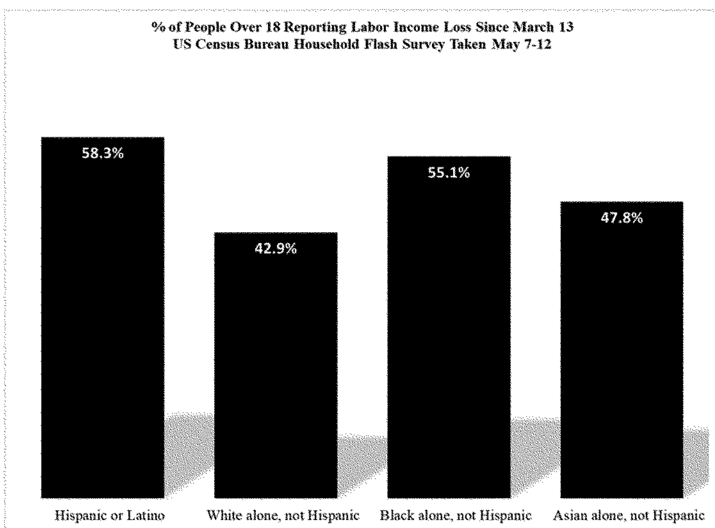

Figure 3

For Black families, the loss of income is compounded by the problem of living disproportionately in states that were the slowest to implement the Pandemic Unemployment Assistance benefits. In a normal economy, unemployed Black and Hispanic workers are less likely than White workers to receive unemployment benefits. Part of this is because of the higher share of Black workers who live in the South, and in those states with lower unemployment recipiency rates.[10] For the week ending May 23, about 35 percent of those receiving any unemployment benefits were receiving benefits because of the Pandemic Unemployment insurance programs of the CARES Act. Yet, there were still 9 states that were reporting zero PUA claims; including Arkansas, Florida, Kentucky, Georgia and West Virginia.[11] These failures among states with higher shares of Black workers, make the access to the program lower for Black families. Based on data from the Minneapolis Federal Reserve Bank's Opportunity & Inclusive Growth Institute's COVID survey,[12] Black workers show a distinct disadvantage in getting unemployment insurance benefits during this unemployment crisis. Figures 4 and 5 show this is true, despite unemployed Black workers applying at similar rates. And, the persistent issue of difficulty for women to access unemployment benefits also shows.

[10] (U.S. Bureau of Labor Statistics 2019)
[11] (U.S. Department of Labor. Employment & Training Administration 2020)
[12] Author's calculations with Nyanna Browne, using (Wozniak, Willey, et al. 2020)

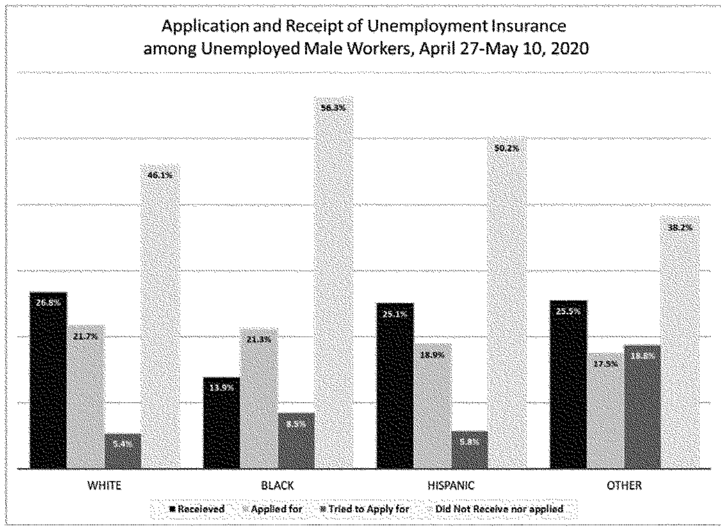

Figure 4

Similar to other research, the data show that workers' have had difficulty applying for the benefits, with a slightly higher share of difficulty for Black men, than others. This is also the case for women, shown in Figure 5. So, there were gaps in the time for Black workers and women to get the benefits that Congress intended for unemployed workers to receive.

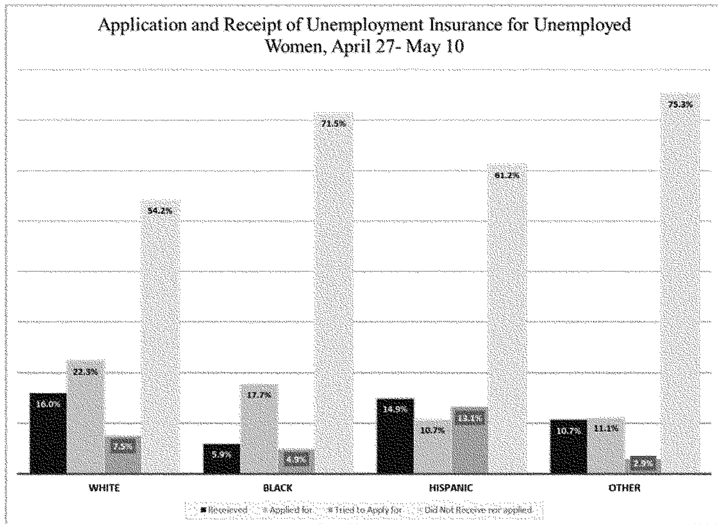

Figure 5

Black and Hispanic workers combine to be about 30 percent of the American workforce. Their plight from the loss of income is compounded because of their low levels of wealth and specifically their low levels of liquid wealth (assets that can easily and quickly be turned into cash). A study of Black and Hispanic households has found that a drop in income from the loss of a job leads to a 50 percent larger drop in consumption for Black households, and a 20 percent larger drop in consumption for Hispanic households for each dollar of income lost compared to White households.[13] Because of the lack of liquidity for this large segment of the workforce, job losses get magnified in the economy through larger reductions in consumption. So, disparate job losses in these communities have outsized outcomes on the macro-economy because they are now 30 percent of American workers.

Further, as Black and Hispanic families face greater housing vulnerability, losses of incomes can add stress on rental markets as arrears in rents can mount. Unemployment insurance, and the

[13] (Ganong, et al. 2020)

generosity of the benefits do help alleviate pressures on foreclosures.[14] And, for these two communities hit hard by foreclosures during the Great Recession this is important. We have no room for mounting bad debts in the banking sector, given issues of corporate and business debt already growing on the banks' books. Keeping the household sector as liquid as possible is the best way to avoid compounding what is, so far, a crisis in the real economy.

All this also makes boosting the pandemic relief payments by $1,400 essential. It will help those who have not received all the benefits intended by the expansion of unemployment benefits. And, it will make up for the months workers did not get their unemployment benefits augmented. That will be vital to keeping low-income households keeping their consumption up and their local economies stable. Lower income households have already absorbed the $600 payments they received in early January to make up for those drops.[15]

4. Exacerbating Labor Market Power Imbalances

There are two key issues at risk in thinking of the Pandemic Unemployment Compensation as a work deterrent beyond issues of equity. First, and primary, is a misguided belief that simply re-opening businesses will solve the current unemployment crisis. This is wrong because while about 12 million of the jobs lost from February to April likely trace to the closing businesses to achieve social distancing, that leaves more than 8 million jobs in other industries lost because our economy is super fragile because of its high level of inequality. As a result, aggregate demand collapses quickly. Some because of the wealth inequality, that makes the loss of jobs in the Black and Hispanic communities get magnified when they lose jobs. And, some because workers' wages have not been keeping up with productivity, and that gap always means that when the economy slows and workers cannot borrow, they cannot consume at a pace to keep aggregate demand high. The other 8 million jobs are roughly the size of the job loss from the Great Recession.

Simply re-opening restaurants and bars will not solve the underlying issue, which is finding an effective set of policies to contain and stop the virus from killing. Without an effective

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[14] (Hsu, Matsa and Melzer 2018)

[15] (Chetty, Friedman and Stepner, Effects of January 2021 Stimulus Payments on Consumer Spending 2021)

strategy to fight the virus, increasing the number of workers who cannot shelter in place puts them, and their families at risk. This is not trivial.

For Black and Hispanic households, COVID is a disease of working age people. It is the result of the over-representation of Black and Hispanic workers among those who cannot tele-work and who are over represented in front line jobs exposed to the virus. There is scant evidence that shows disparities in pre-existing health conditions explains higher morbidity among Blacks in the United States.

The Center for Disease Control did a study of a convenience sample (choosing the first set of patients, rather than select them randomly) of 305 patients in 7 hospitals in metropolitan Atlanta and one community hospital in southern Georgi of patients over 18 with laboratory-confirmed cases of COVID-19, between March 1 and March 30 of this year. They found 83.2 percent of the patients were Black, though Black patients in the hospitals studied made up only 47 percent of all patients. And, they did find that 73.8 percent of the COVID positive cases did have conditions that are considered high risk for COVID patients. But, very importantly, they did not find significant differences between Black patients and others in incidences of diabetes, obesity, cardiovascular disease, or chronic lung diseases. Most importantly, the Black patients were not more likely to end up on invasive mechanical ventilation or to die. Blacks were over represented among the dead, because they were over represented among the COVID patients.[16]

The Centers for Disease Control and Prevention also looked at health care professionals to understand the incidence of COVID among them. Looking at data from February 12 to April 9 of this year, for data where they could identify health care occupations and race of the patient, they found 21 percent of the cases were of Black health care professionals. That number is out of proportion to the Black presence in the general work force, but among health care workers, Blacks are close to 20 per cent.[17] So, Black health care workers are not more likely to catch the disease than non-Black health professionals, but the over representation of Blacks in this front line occupation means a higher share of all Black workers would show up with the disease.

[16] (Gold, et al. 2020)
[17] (Team 2020)

Black workers are over-represented in a number of front-line occupations, including childcare and social services, health care, building and cleaning services, trucking, warehouse and postal services, public transit and grocery, convenience and drug stores. They work as essential workers, and in jobs that do not allow for tele-work. Hispanics are over represented among child care and social service workers, building and cleaning services, health care services and in grocery, convenience and drug stores.[18] Both are over represented among meat packing and animal slaughter.[19] Black and Hispanic workers are much less likely to have jobs where they can tele-work, and this disparity coupled with the occupations where they are over represented means a higher share are not sheltering in place and face exposure to the disease.[20]

The result is that when you look at the age distribution of hospitalizations for COVID-positive patients, the majority of Black and Hispanic patients are working age, while for whites, the majority (almost 65 percent) are over 65. Almost 47 percent of Hispanic patients are 18 to 49, and 55 percent of Black patients are 18 to 64. Figure 6 shows the age distributions by age and race.

[18] (Rho, Brown and Fremstad 2020)
[19] (Fremstad, Rho and Brown 2020)
[20] (Gould and Shierholz 2020)

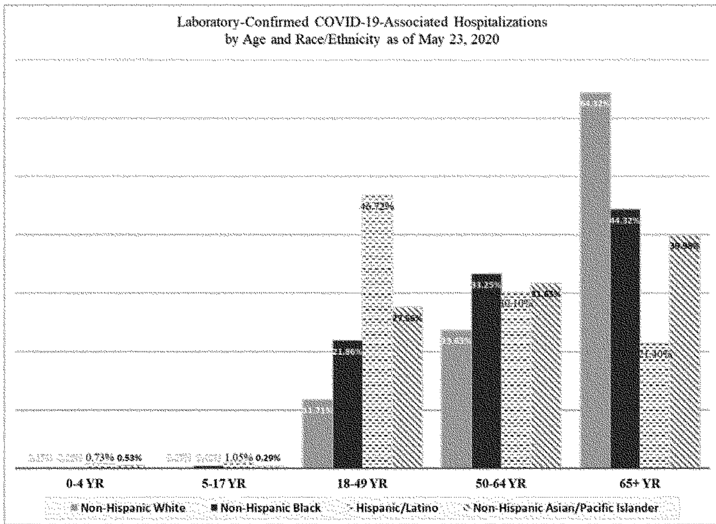

Figure 6

It is essential to understand the risk workers face, as stories continue to mount of problems in meat packing and elder care facilities. Returning to work to face risks, means workers should expect to receive some compensating differential for the risk. But, that assumes the workers have the bargaining power and choices to freely choose to accept the risk. Efforts by state governments to force unemployed workers to take job offers tips the scale radically in favor of companies that do not want to pay for the risks and wish merely to take advantage of high unemployment levels and the state government siding with the employer on how much bargaining power workers should have in this situation. Research has noted that workers constrained by discrimination in their job offers, are not able to command the same risk premia as other workers, Black males and immigrant workers exhibit lower risk premia in some studies.[21]

Workers already feel vulnerable in this labor market. Recent work shows a disturbing pattern of low wage workers, especially women, who report to work despite self-reporting a

[21] (Viscusi 2003) (Hall and Greenman 2015)

fever and other potential symptoms of the virus. This suggests workers are taking on great risks, just to stay employed.[22]

The other imbalance is in a job market with low levels of job hiring, firms that are hiring are likely to wield monopsony power, as among only a few firms hiring. Lowering the bargaining power of workers, already low because of the record level unemployment rate could lead to scarring in the labor market. If expanding firms are monopsonies, the recovery will see slower than needed wage growth coming out of this downturn. A weakness of the labor market up to February had been sluggish wage growth despite low levels of unemployment. Increasingly, economists were concerned that monopsony power was growing among employers.[23]

The huge expenses Congress has been forced to make to keep consumption up for low-income households shows the high cost of low wages on our economy. Without many state and local governments having already taken steps to move toward $15 an hour, those expenses would have been higher. An extremely weak labor market will exacerbate problems of monopsony in the labor market. Our economy will not grow back the jobs as quickly as we need, unless we counteract monopsony power in the labor market. Wage recovery from the pandemic will be significantly slower than wage recovery from the Great Recession without including the provisions of the Raise the Wage Act of 2021. So, it is necessary both to reduce the costs of federal expenditures and to support proper wage growth during the recovery from the pandemic that Congress must put all of the United States on a path toward $15 an hour. All available research shows it will be an important tool in addressing the underlying racial inequalities the pandemic has laid bare.[24]

Why Aid to State and Local Governments is Important

Despite federal efforts to keep the economy going, state and local governments, left on their own to face the uncertainty of the Pandemic have been drastically reducing public sector workers and reducing their expenditures. State and local government expenditures have been falling since the second quarter of 2020. In the third quarter, while the rest of the economy was rebounding

[22] (Wozniak, Disparities and Mitigation Behavior during COVID-19 2020)
[23] (Azar, et al. 2019) (Mendez and Sepulveda 2019)
[24] (Wurstein and Reich 2021)

from its second quarter collapse, state and local government lowered the growth in the economy. And, in last quarter, the fourth quarter of 2020, growth was a almost 0.2 percent lower than its weak 4.0 percent growth because of the continued drag in state and local government expenditures. In the fourth quarter 2020, state and local government was running where it stood in fourth quarter 2017. For the size of the task at hand, that is too small.

And, in hand, so has state and local government employment slowed the recovery in the labor market. The drop in state and local government employment in 2020 was greater than occurred during all the Great Recession. State government employment is now down below its level in 2002; while local government employment is now below its level in 2003. This is not a level to keep state and local government as a partner with the necessary national actions Americans need to see taken.

This continued deterioration in state and local government expenses and employment will stand in the way of the all-out effort to get to Americans vaccinated at a rate to contain the virus and restore consumer confidence to get the economy operating at a higher speed. State and local governments will need to assist in greater outreach, because of the level of disruption in the lives of so many who cannot use computers to get appointments for vaccines. And, local authorities need the greatest latitude in meeting the needs of their community to handle the many layers of loss households are experiencing.

Why American Championing expanded Special Drawing Rights at the IMF is important

In the last three years, the United States has shrunk from the world stage. This is the greatest world challenge since World War II. It is imperative the United States return to its place of global leadership. More important than the role the United States played in winning the victory over Fascism in World War II, was its leadership in winning the peace.

Now is the time to ensure global cooperation in taking on the greatest threat humans face. That means American leadership with the World Health Organization and making sure that all nations have the fiscal space they need to mobilize their countries to contain and defeat the coronavirus. As with World War II it will mean running global public debt levels to high levels. But the fight cannot come at the expense of governments carrying out their necessary functions for national welfare. So, there must be fiscal space to prevent austerity measures shrinking the world economy just as global commerce emerges from the slump the virus is causing. A slow global recovery will only add more headwinds to a full recovery for the American economy. And, if only a small handful of countries fails to commit to contain the pandemic, then no country, including the United States, will be safe or over the heartache of the coronavirus.

American leadership will be necessary to keep the world economic slowdown from being complicated by austerity measures to meet the debt challenges the pandemic is forcing on governments. The global recovery from the Great Recession must loom in our minds, because the American economy's recovery was slowed by austerity measures that continued for too long in the European Union and that were forced on emerging nations. When other economies suffer from austerity measures, their economic solutions quickly turn to zero-sum games of all seeking export-led growth at the expense of every other economy and all to the detriment of the United States. More importantly, austerity in too many countries undermines national cohesion and weakens democratic institutions. A world with more nationalist zealot leaders is not a safe world for the United States. It is the great lesson of World War I that the United States understood, and used to form policies to make a post-World War II world order safe for governments to respond to the needs of people.

Other considerations

There are many other considerations Congress should have. A clear focus needs to be on issues of scarring created by the pandemic on our economy and the lives of Americans. Some are easy to prevent, like including support for relief to our airline transportation sector. This is a vital industry we need to be ready the moment the pandemic allows Americans to move around more freely. Keeping those workers with income—paying income taxes, supporting retirement programs and on their private health insurance plans—helps keep public resources more targeted to those in need. The low-wage workers in our airports who provide the necessary porter jobs, and other services that ease movement for Americans are included in the current relief package to that sector. And, removing frictions of having to recruit, hire and train workers to get the industry back up and flying will keep inflationary pressures low.

Some scarring is less evident. Going forward, companies that are dependent on person-to-person business may face hurdles as banks and lenders worry of the additional risk those companies bare from a future health crisis. What this experience should make clear is that like federal flood insurance, there needs to be a federal business continuation insurance to cover health orders needed to combat epidemics. A program of this type may well be necessary to ensure short-lived investments, like those needed to stage plays or produce musical festivals.

So many households find themselves in debt because of the interruptions to work from illness and fighting off the virus, or losing work because of the virus. Those debts are scars that will slow the recovery, because when the economy returns, people will still be paying for previous consumption instead of fueling the recovery. Congress should look to rental assistance as a way to keep the worst outcome from happening: having people become homeless. And, to ensure that efforts to support the income of low-income households goes to current consumption and recovery, consider a moratorium on wage and benefit garnishment. If Congressional efforts get siphoned off by garnishments, even to the federal government for tax or student loan debt, it will reduce the efficacy of the efforts to keep the economy going while we fight the pandemic.

The faster we can recover, the easier it will be to get long-term unemployment resolved. We are already on a path to long-term unemployment reaching the heights of the Great Recession as a share of solving the unemployment crisis. Some sectors may need kick starts to clear. For instance, one of the hardest hits industries has been live entertainment and the arts. It is likely to take a long time to get everything back in place, so Congress should think about expanding grants by the National Endowment of the Arts to speed that recovery along.

This downturn also effects generations differently. When the labor market slows it falls disproportionately on the young. Entering the labor market during economic slow downs lowers potential life time earnings. That is a scar that will be clear for years to come for the cohort of young workers graduating into the labor market in 2020 and 2021.[25] Student debt relief will help bring about generational equity.

- ## Conclussions

Our economy faces many challenges. The urgency to meet those challenges could not be greater. Delay is not an option. The problems only compound daily. The proper framework is that we are waging two wars. We are losing lives. We cannot lose sight of that fight. Getting the pandemic under control is necessary to having an open economy. That fight is also creating economic casualties, limiting our activities and contorting our demand. It is vital, as in all

[25] (Friedman 2021)

national fights, that we show unity and support those who are being hurt by the fight. National solidarity is as necessary as during World War II to defeat this pandemic that has already taken more American life than we lost in combat during World War II. We need all resources to the front, and full coordination between all levels of government: federal, state and local.

But we must be preparing for when the pandemic is gone. And that will take a healthy economy. On that front, we need households to be free of the scars that the economic slowdown is inflicting: lost income, rising debt, food insecurity, forgone personal investment. We have to prevent that scarring from becoming wounds we cannot heal, like homelessness.

As a nation we have the resources to tackle this dilemma. We are a much bigger and richer nation than the one that fought and won World War II. We need the same vision and leadership to also win a world order that can sustain growth and economic prosperity. And we need the compassion and national unity to set a path for our generations to come.

This cannot be a fight where we walk away from the same Americans suffering from the mistakes we made with past policy. Instead of walking away from Americans, we need to walk with them. And, as we learned from the mistakes of World War I and the rising inequality that crashed the global economy ten years later, following World War II we put in place policies that promoted equality.

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Statement before the U.S. House Committee on Financial Services
On The Need for Additional Covid-19 Stimulus

The American Rescue Plan

Some Good, Some Bad, and Too Large

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Director of Economic Policy Studies

February 4, 2021

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for inviting me to testify on economic relief, recovery, and stimulus in the face of the ongoing Covid-19 pandemic. It is an honor.

Two ways to assess the need for economic support are "top down" and "bottom up." The top-down approach attempts to assess the amount by which the economy is underperforming — *e.g.*, the size of the "economic hole" caused by the pandemic and social distancing — and determine how much government spending would be required to bring the level of economic activity back to where it should be. More precisely, the quantity of goods and services that could be sustainably produced given the economy's underlying technology and labor and capital resources is determined and compared to the economy's actual production. The difference between the economy's underlying potential and actual performance is called the "output gap." The size of the output gap can be used to determine the appropriate size of an economic stimulus package.

Alternatively, Congress could take a bottom-up approach. This way of crafting economic support would pay less attention to the size of the output gap and more to the specific needs facing the economy. Today, those needs clearly involve increasing the nation's capacity to distribute the vaccine and to test people for Covid-19.

Of course, in practice, applying both approaches often makes the most sense. But judged by either criteria, President Biden's proposed $1.9 trillion American Rescue Plan is too large and too wide in scope.

According to my calculations, the 2021 output gap will be around $420 billion. From a macroeconomic, top-down perspective, the President's proposal would fill the 2021 output gap several times.

It is commonly argued that the risk from spending too little is larger than the risk from spending too much. I agree. But this is not the same as arguing that the size of an additional stimulus package should be untethered to estimates of the underlying economic need. Any assessment of the right size for another stimulus should start with a good estimate of the output gap — and given the uncertainty associated with calculating that gap and the balance of risks, it's prudent to err on the side of a slightly larger package.

The future paths of gross domestic product (GDP), the output gap, and prices are very uncertain. Congress should recognize the many risks both from spending too much and from spending too little. From this macroeconomic perspective, the President's $1.9 trillion proposal is clearly too large.

While the proposal contains several important components that Congress should enact, from a bottom-up, microeconomic perspective, many major components of the plan are either unnecessary or would hold the recovery back.

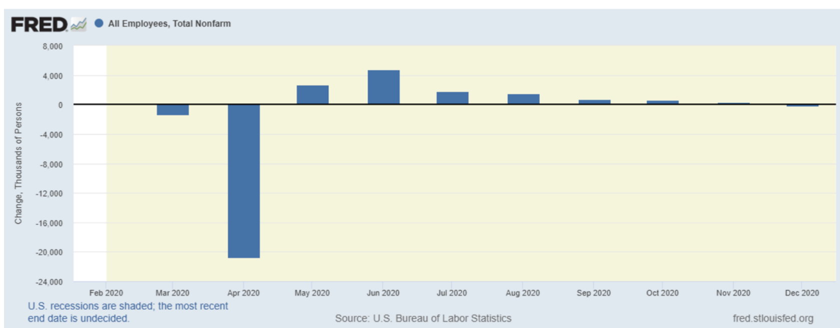
For example, direct checks to households earning six-figure incomes that have not experienced employment loss are an unnecessary and imprudent use of government spending. The proposed $400 federal supplement to standard, state-provided Unemployment Insurance benefits would prologue the period of labor market weakness by incentivizing unemployed workers to remain unemployed. Raising the federal minimum wage to $15 per hour would be devastating to low-wage workers in many states.

As a moral proposition, a bill that would destroy jobs for low-wage workers while handing out checks to employed, upper-middle-class households is problematic.

A bill that was more focused and that did not contain these harmful or unnecessary provisions would also be more aligned with both the overall macroeconomic need and would better address our specific economic challenges. A bill that provided adequate funding for vaccine distribution, expanded testing capability, helped to reopen schools, strengthened the social safety net, and provided relief to state and local governments would be reasonable and advisable. It would cost under $750 billion, would be focused on current economic and social needs, and would be better scaled to the size of the output gap.

THE ECONOMIC AND POLICY OUTLOOK

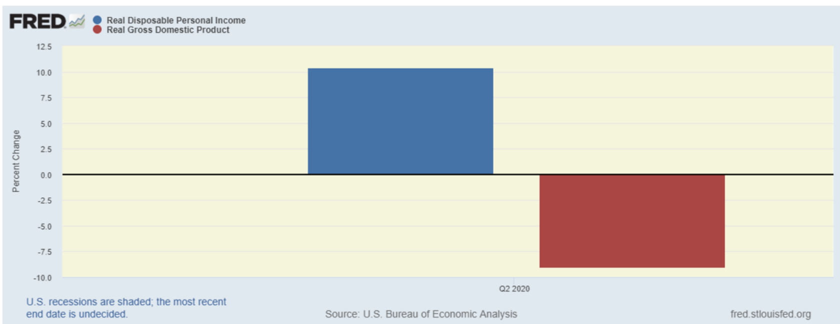
The Pandemic Recession was brutally sharp and sudden. Fortunately, it was also short. The recession began in March and probably ended in May. After contracting at a 31 percent annual rate in the second quarter of 2020, the economy grew at a 33 percent annual rate in the third quarter and at a 4 percent annual rate in the fourth quarter.



Employment followed a similar pattern. After losing 1.4 million net nonfarm payroll jobs in March and a stunning 20.8 million in April, the labor market began adding jobs at an impressive pace: 2.7 million net new jobs in May, 4.8 million in June, 1.8 million in July, and 1.5 million in August.

This pattern reflects a number of factors, including the impressive resilience of American households and businesses in the face of the pandemic, the changing strictness of social distancing orders, aggressive actions by the Federal Reserve to support the economy, and the weather, which affects the level of consumer activity that can take place outdoors.

It also clearly reflects fiscal policy developments. Congress's fiscal policy response to the Covid-19 pandemic has been commendable. The $1.8 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed in March, gave the economy the support it needed. By providing partial revenue replacement for small businesses and income replacement for unemployed workers and households, Congress kept workers attached to their employers, improved the financial health of small businesses,[1] and allowed consumers to maintain spending.

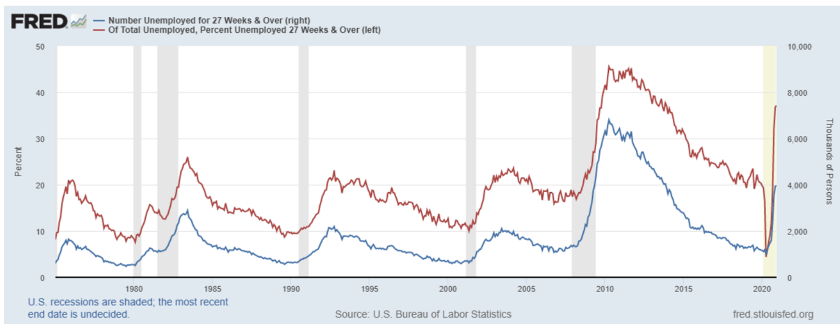


The CARES Act was so successful at replacing household income that disposable personal income soared while GDP violently contracted. In the second quarter of 2020, GDP fell by 9 percent relative to the first quarter, while disposable personal income rose by 10 percent.

When the economy went into recession, there was a widespread expectation that significant damage would be done that would last for many years. Remarkably, the evidence

[1] R. Glenn Hubbard and Michael R. Strain, "Has the Paycheck Protection Program Succeeded?" *NBER Working Paper Series*, no. 28032, October 2020.

suggests that this type of deeper, structural damage has been minor so far. There is little evidence that temporary layoffs are becoming permanent layoffs at a higher rate than in the past,[2] and temporary layoffs still account for a large share of the unemployment. Commercial bankruptcies are below their pre-virus level, and new businesses are forming at a surprising rate.



An exception to this relatively upbeat picture is long-term unemployment. In December there were nearly four million workers who had been unemployed for 27 weeks or longer, and the long-term unemployed constituted over one-third of all unemployed workers. Long-term unemployment is an economic, social, and human crisis. Addressing it is outside the scope of this testimony, but Congress should be following it closely and enact measures to combat it specifically if it does not normalize throughout this year.[3]

Powerful as the CARES Act was, it was not enough to support the economy until Covid-19 vaccines are in wide distribution in the spring and summer of 2021. This is easiest to see in the chart above showing monthly job gains. The economy added over one million jobs each month of the summer (with a high of 4.8 million in June). In September, that streak ended. By

[2] Erin Wolcott, Mitchell G. Ochse, Marianna Kudlyak, and Noah A. Kouchekinia, "Temporary Layoffs and Unemployment in the Pandemic," *FRBSF Economic Letter*, Federal Reserve Bank of San Francisco, November 16, 2020.
[3] Michael R. Strain, "A Jobs Agenda for the Right," *National Affairs*, no. 18, winter 2014.

November, monthly job gains had returned to conventional levels (336,000). In December, the economy actually lost jobs on net.

To address the slowing economy, Congress passed an economic support package on December 21, 2020. The package cost around $900 billion, and it appropriated nearly $300 billion for "second draw" Paycheck Protection Program loans, extended access to Unemployment Insurance benefits, increased the size of those benefits by a federally funded $300 per week through March, and issued $600 per person stimulus checks, among other provisions.[4]

Although parts of the Washington policy debate seem to have forgotten that Congress appropriated $900 billion in economic support just six weeks ago — an amount larger than the 2009 Recovery Act, passed to support the economy following the 2008 global financial crisis and Great Recession — it occurred so recently that many of those funds have yet to be spent. Those funds will give a big boost to the economy.

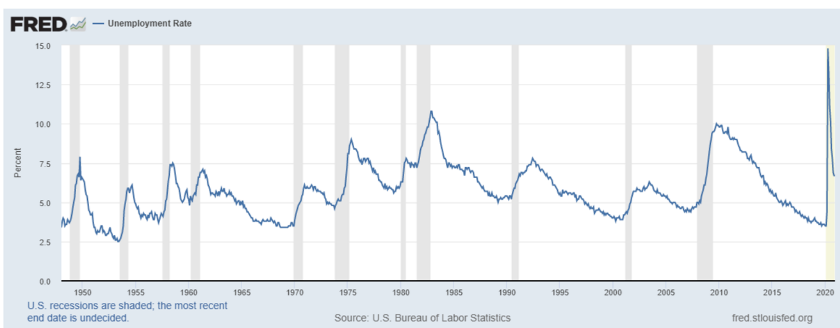
Economic forecasters expect 2021 to be a year of solid economic growth. The median forecast in the Fourth Quarter 2020 Survey of Professional Forecasters is for GDP to grow at above a 3 percent annual rate in each quarter of 2021.[5] Economists at Goldman Sachs assume Congress will appropriate an additional $1.1 trillion — not the $1.9 trillion proposed by the President — and predict 5 percent GDP growth at an annual rate in the first quarter of 2021, 10 percent growth in the second quarter, 9 percent growth in the third quarter, and 6 percent growth in the fourth quarter. Consensus forecasts are lower but still show the economy robustly growing at about 4 percent for the year as a whole. The Congressional Budget Office expects the

[4] Committee for a Responsible Federal Budget, "What's in the Final COVID Relief Deal of 2020?" December 21, 2020.
[5] Federal Reserve Bank of Philadelphia, "Fourth Quarter 2020 Survey of Professional Forecasters," November 16, 20202.

economy to grow by 3.7 percent from the fourth quarter of 2020 to the fourth quarter of 2021 under the assumption that Congress will not appropriate any additional economic stimulus funding.

To be sure, the economy will still be weak in 2021, with elevated unemployment and economic output below its pre-virus trend. But while concern about a "second Great Depression" was reasonable in March and April — a concern that I shared[6] — thanks to the impressive resilience of the American people and Congress's decisive action, the U.S. economy has transitioned from the territory of a historic economic catastrophe to a period of familiar economic weakness.

The unemployment rate in December was 6.7 percent. That is painfully high, and Congress is right to focus its attention on how to bring down unemployment. But while it is terrible, it is not a historic aberration. In the 866 months between 1948 and the beginning of the Pandemic Recession, the unemployment rate was greater than or equal to 6.7 percent a little over 25 percent of the time.



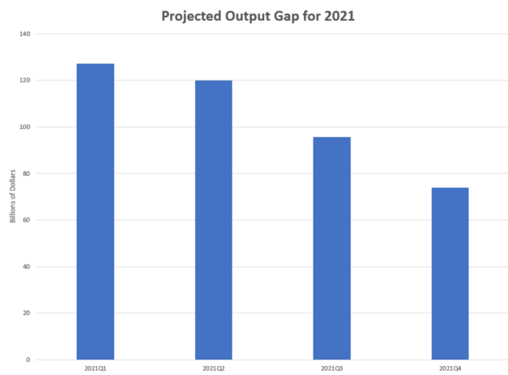
[6] R. Glenn Hubbard and Michael R. Strain, "A Business Fiscal Response to a COVID-19 Recession," *American Enterprise Institute*, March 20, 2020. Michael R. Strain, "The many new indicators of an epic job collapse," *Bloomberg*, April 30, 2020.

THE OUTPUT GAP

The output gap measures the difference between actual economic output and potential economic output. In 2021, I estimate that actual economic output will be around $420 billion lower than the economy could sustainably produce given its underlying resources. This calculation is based on the Congressional Budget Office's (CBO) estimates of the economy's underlying potential and CBO's forecast for actual economic output. Notably, it includes the effects of the $900 billion law Congress passed six weeks ago, but assumes no additional economic stimulus is passed in 2021.

If Congress decides it wants to close the output gap, then it will need to appropriate spending sufficient to that task. But every dollar the government gives to households, unemployed workers, businesses, and state and local governments is not quickly spent. At the same time, the indirect effect on demand of some funds that are spent leads overall economic output to increase by more than the amount of direct spending. Estimates of the effect of $1 of government spending on overall economic output range widely — generally from around $0.50 to $2.50 — and depend on a variety of factors, including the type of government spending and the state of the economy.

The pandemic will decrease this "multiplier effect" because social distancing makes it harder for households to spend. But social distancing will diminish in prevalence and importance throughout 2021. Even under the assumption of a very low overall multiplier of 0.5, the President's $1.9 trillion proposal would still fill the 2021 output gap more than twice.



Source: Congressional Budget Office; author's calculations.

It is commonly argued that Congress should err on the side of spending more, not less, because an assessment of the risk from spending too little is larger than the risk of spending too much. I agree with this view. But this is not the same as arguing that the size of the package should be untethered to estimates of the underlying economic need. Instead, an assessment of the appropriate size for any future stimulus should start with a good estimate of the output gap. Then, given the balance of risks, if you think the gap is, say, $400 billion, (assuming a multiplier equal to one) it's reasonable to prefer a $450 billion stimulus to a $350 billion stimulus.

Moreover, there are real risks to Congress spending too much. Households are sitting on well over $1 trillion of pent-up savings. On top of that, the President's proposal would quickly push economic output above its maximum sustainable level. Once the vaccines are in wide distribution, households may go on spending sprees after being cooped up at home for well over one year. Supply chain disruptions, pandemic-related reductions in productive capacity, and the process of reallocation could all restrain the ability of supply to keep up with surging demand in the second half of 2021.

Sustained price inflation is unlikely, but not impossible. More likely is that there will be months in which inflation temporarily surges. In addition to the economic risks from temporary overheating, the effects of excessive economic demand could lead the Fed to feel pressure to slow the recovery before its benefits can reach low-wage workers and low-income households.[7] Congress should guard against this risk.

There is significant uncertainty about all this. The effect of the pandemic on the economy's underlying potential is hard to ascertain. Congress has already appropriated over $3 trillion to fight the Pandemic Recession — this level of fiscal policy support is unprecedented, and its ultimate effects on demand, prices, and output are uncertain. The virus' evolution is uncertain, as is the timing and overall success of the vaccine rollout. The reaction of consumer behavior to the pandemic receding is uncertain.

Uncertainty about the future path of GDP, the output gap, and inflation suggests that Congress should be prudent and cautious in both directions. Additional economic relief, recovery, and stimulus spending is reasonable and advisable. But the amount of that package should be based on an objective assessment of the economy's underlying need, and of how that spending will affect overall economic output. By that measure, the President's $1.9 trillion proposal is clearly much too large.

THE INADVISABLE COMPONENTS OF THE AMERICAN RESCUE PLAN

Rather than starting from the output gap, Congress could attempt to ascertain specific economic needs and build a package from the bottom up. From this perspective, Congress should have three goals for additional economic support: It should (1) preserve the productive capacity

[7] Jay C. Shambaugh and Michael R. Strain, "The Recovery from the Great Recession: A Long, Evolving Expansion," *IZA Discussion Paper Series*, no. 14017, January 2021.

of the economy while the virus requires social distancing, (2) alleviate human suffering, and (3) help the economy transition to a healthy, post-virus "new normal." With this framework in mind, it is clear that the three most problematic components of the President's American Rescue Plan are the direct checks of up to $1,400 per person, the expanded generosity of Unemployment Insurance benefits, and the $15 per hour federal minimum wage.

Direct checks

The direct checks will accomplish none of these three goals because they are so poorly targeted. Providing checks to households earning comfortable six-figure incomes that have not experienced any employment loss is an imprudent use of government spending — one that would not support the economy's productive capacity, help those in need, or help the economy recovery and transition to its post-virus phase. I have not seen a reasonable economic justification for Congress giving thousands of dollars to households earning, say, $250,000, which the CASH Act and the President's proposal would do.[8]

[8] Committee for a Responsible Federal Budget, "Would $2,000 Stimulus Checks Go to Six-Figure Households?" December 30, 2020.

The best justification for the checks is that they might support overall consumer spending and aggregate demand. Even this justification is dubious. Congress just appropriated $600 per person checks six weeks ago. Recent research finds that households with incomes above $78,000 saved $555 of their $600 check, spending just $45.[9] Their behavior would likely be the same if Congress appropriated additional checks up to $1,400 per person.

Congress should not appropriate funds to help households with six-figure incomes save and pay down their debts. There are much better uses of those funds, including targeted assistance of those who need it. And as discussed previously, from a macroeconomic perspective, the $465 billion that would be appropriated for the checks is not needed.

$400 unemployment benefit supplement

The President's proposal for unemployment benefits is on stronger ground. Unemployment benefits are targeted on unemployed workers, a group that needs support until the vaccines are in wide distribution and labor demand can more fully recover. It is reasonable for the generosity of (and eligibility for) benefits to be expanded during this unusual situation.

But the President's plan to provide a $400 per week federal supplement to standard, state-provided Unemployment Insurance benefits through September would slow the recovery and keep the unemployment rate higher for longer than would be the case with conventional unemployment benefits.

Unemployment benefits can be a boost to the economy by supporting consumer spending, which in turn supports business investment and hiring. At the same time, unemployment benefits can hold the economy back by reducing the number of workers who exit unemployment for paid employment. Which of these effects is strongest — increasing aggregate

[9] Raj Chetty, John Friedman, and Michael Stepner, "Effects of January 2021 Stimulus Payments on Consumer Spending," Opportunity Insights Economic Tracker, January 28, 2021.

demand or reducing labor supply — depends on a variety of factors, including the overall amount of unemployment and the strength of labor demand.[10]

Prior to the pandemic, the ratio of the Unemployment Insurance benefits received by workers to their prior labor market earnings generally ranged from 30 percent to 50 percent. In the CARES Act, Congress augmented standard, state-provided unemployment benefits with a $600 per week federal supplement, with the goal to fully replace the earnings unemployed workers had lost due to the virus and associated social distancing and lockdowns.

Full replacement of lost earnings was a reasonable goal in March, when the lockdowns began. It was appropriate for Congress to help households in the face of a once-in-a-generation economic shock. Moreover, unlike in a typical economic downturn, Congress did not want unemployed workers to search for a job. During the spring's strict lockdown, the goal was for as few people to engage in in-person activity as possible. Fully replacing lost earnings was a way to ensure that unemployed workers were not handing out resumes and contracting and spreading Covid-19.

The unusually large amount of labor market slack and the unusual circumstances from the lockdowns, social distancing, and pandemic created conditions such that the $600 supplement had little effect on the pace of hiring and the level of unemployment last spring and into the summer. Several studies have confirmed this finding.[11]

But just because unprecedentedly generous unemployment benefits did not reduce hiring or increase unemployment during the early months of the pandemic does not mean that they

[10] Kory Kroft and Matthew J. Notowidigdo, "Should Unemployment Insurance Vary with the Unemployment Rate? Theory and Evidence," *Review of Economic Studies*, vol. 83, no. 3, July 2016.
[11] Alexander W. Bartik, Marianne Bertrand, Feng Lin, Jesse Rothstein, and Matthew Unrath, "Measuring the labor market at the onset of the COVID-19 crisis," *Brookings Papers on Economic Activity*, fall 2020. Ioana Elena Marinescu, Daphné Skandalis, and Daniel Zhao, "Job Search, Job Posting and Unemployment Insurance During the COVID-19 Crisis," working paper, July 2002. Lucas Finamor and Dana Scott, "Labor Market Trends and Unemployment Insurance Generosity During the Pandemic," *Economics Letters*, vol. 199, February 2021.

would not do so in the winter, spring, or summer of 2021. (The President proposes to keep expanded benefits in place through September.) A large literature documents that unemployment duration increases with the generosity of unemployment benefits, even during periods of (historically familiar) labor market weakness.[12] There is every reason to think that this literature better captures what the effect of the President's plan would be than evidence from the unusual circumstances in the spring of 2020.

To be sure, the President proposes to augment standard, state-provided unemployment benefits by $400, not $600. But that would still be unprecedentedly generous. With a $400 federal supplement, around 60 percent of unemployed workers would receive more income from their unemployment benefits than they would from working.[13]

In December, Congress expanded the generosity of unemployment benefits by $300 per week through mid-March. This will likely slow the pace of the recovery. By going even further and providing a $400 per week federal supplement to standard, state-provided unemployment benefits through September, Congress would slow the overall economic recovery even more — and keep many unemployed workers in unemployment for longer.

$15 federal minimum wage

A $15 federal minimum wage is too high even in a strong, healthy economy. In 2019, before the onset of the pandemic, at least one-quarter of all workers in 47 states earned less than $15 per hour. In 20 states, half of all workers earn less than $18 per hour. These simple statistics illustrate how high $15 per hour would be as a wage floor. In Mississippi, Arkansas, and West

[12] Alan B. Krueger and Bruce D. Meyer, "Labor Supply Effects of Social Insurance," *Handbook of Public Economics*, vol. 4, 2002. Johannes F. Schmieder and Till von Wachter, "The Effects of Unemployment Insurance Benefits: New Evidence and Interpretation," *Annual Review of Economics*, vol. 8, October 2016.
[13] Peter Ganong, Pascal Noel, and Joseph Vavra, "US unemployment insurance replacement rates during the pandemic," *Journal of Public Economics*, vol. 191, 2020.

Virginia — each of which had a median wage below $16.50 in 2019 — a $15 minimum wage would be devastating to low-wage workers. This would be the case in many other states, as well.

The Congressional Budget Office estimates that joblessness would increase by 1.3 million if Congress increased the minimum wage to $15. This is a reasonable estimate, but in my view, it is too low. The CBO also concluded that a $15 minimum wage would reduce business income, raise consumer prices, and reduce GDP.[14]

Even in high-wage states, the available evidence suggests that $15 is too high. Economists found that when Seattle raised its minimum wage to $13 in 2016 (on its way to $15), hours worked in the low-wage labor market dropped by 9 percent. Wages increased by less than hours decreased, so the earnings of low-wage workers fell by $125 per month.[15]

Of course, the President does not propose to raise the minimum wage to $15 this year. But a phase in of even several years would still cause significant damage to the low-wage labor market in many states, and would accrue to the determinant of the least-skilled, least-experienced, most-vulnerable workers in our society.

An abrupt increase would be a significant shock. But it may be that a long phase-in period would reduce employment through a different mechanism. Typical, modest minimum wage increases boost labor costs the year they are enacted, but then are gradually eaten away by price and wage inflation. Businesses may be more willing to reduce the size of their workforces if they think they are in for a period when the minimum wage will ratchet up each year. They

[14] Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," July 2019.
[15] Ekaterina Jardim, Mark C. Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, and Hilary Wething, "Minimum wage increases, wages, and low-wage employment: Evidence from Seattle," *NBER Working Paper Series*, no. 23532, June 2017.

may cut employment more aggressively in this circumstance than they have in the face of typical, modest minimum wage increases.[16]

Any increase in 2021 would be ill-advised. The evidence suggests that raising the minimum wage during a recession leads to larger employment reductions than it would during periods of economic growth, likely because in a downturn firms are more willing to make permanent changes to their labor-cost structures and labor demand is depressed.[17]

Eight states and Washington, D.C., have put their minimum wages on a path to $15. Congress should wait to see how those experiments go before increasing the wage floor to $15 in every state.

Economists debate not only whether the minimum wage affects employment, but also the consensus of the literature itself.[18] Economists also debate how that literature — which mostly studies modest increases — applies to a $15 minimum wage. My view is roughly the same as CBO's: The existing evidence suggests that a $15 per hour federal minimum wage would substantially reduce employment. Moreover, the existing evidence, which studies modest minimum wage increases, understates the effect of a $15 per hour minimum wage if the effect is nonlinear — that is, if the magnitude of the effect grows along with the size of the minimum wage increase.[19]

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[16] Peter Brummund and Michael R. Strain, "Does Employment Respond Differently to Minimum Wage Increases in the Presence of Inflation Indexing?" *Journal of Human Resources*, vol. 55, no. 3, 2020.
[17] Jeffrey Clemens and Michael Wither, "The minimum wage and the Great Recession: Evidence of effects on the employment and income trajectories of low-skilled workers," *Journal of Public Economics*, vol. 170, February 2019.
[18] Arindrajit Dube, "Impacts of minimum wages: review of the international evidence," Independent Report to Her Majesty's Treasury, 2019. David Neumark and Peter Shirley, "Myth or Measurement: What Does the New Minimum Wage Research Say about Minimum Wages and Job Loss in the United States?" *NBER Working Paper Series*, no. 28388, January 2021.
[19] Jeffrey Clemens and Michael R. Strain, "The Short-Run Employment Effects of Recent Minimum Wage Changes: Evidence from the American Community Survey," *Contemporary Economic Policy*, vol. 36, no. 4, 2018.

As a policy to help the working poor, the minimum wage is very inefficient—the vast majority of its benefits accrue to middle-class households and households above the poverty line. The reason for this is simple: many low-wage workers do not live in low-income households.

So a $15 per hour federal minimum wage represents a trade-off: Is the cost of eliminating hundreds of thousands of employment opportunities for the least-skilled, least-experienced, most-vulnerable workers in society worth the benefit of increasing the incomes of middle-class households? In my view, a $15 minimum wage clearly does not pass the cost-benefit test.

President Biden has the right goal in mind. When announcing this proposal, he said: "No one working 40 hours a week should live below the poverty line."[20] But the minimum wage is the wrong tool to achieve this goal. Instead, Congress should increase the earned income tax credit (EITC) to ensure that no one who works full-time and heads a household lives in poverty.

THE GOOD COMPONENTS OF THE AMERICAN RESCUE PLAN

Congress should significantly expand the nation's ability to distribute the Covid-19 vaccines and to test people for Covid-19. I am not a public health expert and cannot offer expert advice on the funding level needed for these activities. But the economic benefits from ending the pandemic earlier would surely outweigh the costs of rapid vaccine distribution and better testing.

Closed schools are a national emergency, inflicting significant near-term damage on children's social, psychological, and educational development, and making it very difficult for many parents to work and generate income. In addition, closed schools will lower the lifetime incomes of many children, particularly children in low-income households. Congress has already

[20] "Biden Urges More Than Doubling Minimum Wage to $15 an Hour," *Bloomberg*, January 14, 2021.

appropriated a sizable amount of funding to support schools. But if additional funding is needed to reopen schools to in-person instruction immediately, then that is a good use of government funds.

Making the child tax credit fully refundable — so that low-income households with little or no tax liability receive the same benefit from the credit as middle-class households do — is long overdue and should be made permanent law. The President's proposal to temporary increase the generosity of the credit is reasonable.

Congress's fiscal policy response to the Pandemic Recession has been admirable. The most glaring and damaging omission has been grants to state and local governments. These governments are generally prohibited from running deficits, so when tax revenue plunged last spring at the onset of the pandemic, they had little choice but to cut back on providing essential services and laying off workers. Employment by state and local governments is down 1.4 million jobs relative to February 2020, including a loss of over 600,000 education-sector jobs.

Without federal grants, states and localities will have to maintain reduced employment levels, holding back the national economic recovery by keeping unemployment elevated and reducing consumer spending.

Congress should determine the size of each state's grant according to a formula such that the amount of each grant is directly linked to pandemic-related revenue losses. Congress should not reward states for misusing rainy-day funds and should not bail out state pension funds.

States and localities will likely experience revenue shortfalls of around $130 billion from the onset of the pandemic through June 2021, when the current fiscal year ends.[21] They have already been appropriated a sizable amount by Congress in previous economic relief bills. But much of that funding is dedicated for specific spending programs (for example, for the Medicaid program) and their spending needs have increased. States and localities need more flexibility. The American Rescue Plan requests $350 billion in aid for these governments, which is more than is necessary. Around $100 billion would be appropriate to the need.

[21] Jeffrey Clemens and Stan Veuger, "State and local government budgets are in better shape than expected," *AEI Ideas*, February 2, 2021. Jeffrey Clemens, Benedic N. Ippolito, and Stan Veuger, "US fiscal federalism during the COVID-19 pandemic," *AEI Economics Working Paper Series*, no. 2020-16, December 2020.

Credit Union National Association
CUNA

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February 4, 2021

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus." CUNA represents America's credit unions and their more than 120 million members.

Throughout the COVID-19 pandemic, we have seen economic disruption across the country with revenue streams coming to a halt and the number of unemployed or financially distressed consumers significantly increased.

CUNA appreciate the steps taken in the 116th Congress that helped credit unions remain in a position to serve their members, including the enactment and extension of legislation to accommodate troubled debt restructuring, to extend the borrowing authority of the Central Liquidity Facility (CLF), to include credit unions as lenders in the Paycheck Protection Program (PPP), to simplify the PPP loan forgiveness process and to leverage the power of Community Development Financial Institutions (CDFI) to assist communities in need.

As such, credit unions have tailored their service to meet immediate and long-term needs of their members by providing low- and no-interest loans, payment forbearance, fee waivers, payroll advances, loan modifications, and other services that help meet the needs of their members in crisis. The credit union "People Helping People" philosophy is alive every day, but during uncertain times credit union members feel its impact greatest.

While we understand that the next COVID-19 bill could be moved through Congress under process which may limit the inclusion of certain policies, we urge you to consider not just the immediate needs of Americans, but the long-term economic recovery.

That said, we urge Congress to take further legislative action to ensure that credit unions remain in a position to serve their more than 120 million members including:

Exempt Member Business Loans During and for One Year After the National Emergency
As the COVID-19 pandemic persists, small businesses across the country will continue to need capital and credit unions are able to pump billions into the economy—at no cost to the government. However, an obstacle impedes credit unions from fully assisting these businesses: the arbitrary credit union MBL cap which limits some credit union lending activity to 12.25% of assets.

Given the financial needs of so many small businesses, now is the time to provide credit unions with additional flexibility to serve their business members by lifting the cap.

While credit union business lending has increased greatly since the Great Recession, many credit unions are now approaching the 12.25% of asset cap. We conservatively estimate that even temporarily removing the MBL cap will provide over $5.5 billion in capital to small and informal business ventures, creating nearly 50,000 jobs just over the course of the next year[1].

Additional credit union lending will not impede bank lending activity. Small Business Administration (SBA) research shows that growth in credit unions' small business lending is apparent in many respects, but a majority of credit union business lending is for loans that banks will not originate. This means a majority of credit union lending does not replace lending that would otherwise be done by banks—it is lending that otherwise would not occur[2]. SBA research specifically shows that roughly 80% of credit union business loans are loans that banks would not make.

Small businesses and communities around the country are suffering and need access to relief. Lifting the MBL cap would not only provide small businesses with the assistance they need immediately, but also stimulate the economy in the long term. As such, we urge the inclusion of a provision to lift the credit union MBL cap in the next COVID-19 stimulus bill.

Provide Temporary Flexibility to NCUA to Offer Forbearance from Prompt Corrective Action Requirements

Credit union capital requirements are different than bank requirements in several respects, including that only retained earnings count as Tier I capital for credit unions and thresholds for credit union capital levels are hardwired into statute. These limitations restrict NCUA in its ability to provide accommodations to otherwise healthy credit unions impacted by natural disaster, pandemic and other crises.

As Congress considers addition pandemic recovery legislation, we encourage you to include language that provides temporary flexibility to NCUA to offer forbearance from prompt corrective action credit unions impacted by the pandemic and which were otherwise healthy prior to the onset of the crisis. While credit unions entered the crisis extremely well-capitalized, the impact of the ensuring economic crisis has and will put stress on capital and, given credit unions' limited ability to raise capital, the regulator could use additional tools.

Given that a statutory change is required, we urge you to include language providing NCUA temporary flexibility on the upcoming recovery bill.

Community Development Financial Institutions (CDFI)

Many credit unions are a Community Development Financial Institution (CDFI). CDFIs serve people and small businesses that are the first to feel the real-world effects of a missed paycheck or a cancelled order or contract. These small businesses and individuals were the first Americans in this current COVID-19 crisis to need access to emergency credit and other assistance available from their credit unions and other small community financial institutions. Credit union CDFIs were and remain well positioned to help underserved areas recover from the COVID-19 pandemic and future crises and natural disasters. The Community Development Financial Institution (CDFI) Fund and the Community Development Revolving Loan Fund (CDRLF) are important programs that facilitate credit unions' improving their members' financial well-being and advancing their communities.

CUNA appreciates the creation of programs to aid CDFIs in the last COVID-19 relief legislation including the Emergency Capital Investment Program (ECIP) and Rapid Response Program (RRP). However, it is not clear whether eligibility for the ECIP program is limited to CDFIs and Minority Depository Institutions exclusively. Additionally, the RRP requires quarterly reporting at a level of detail would be a prohibitive burden for credit unions and severely limit participation in

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[1] CUNA estimate assumptions: 1. Grandfathered CUs, Non-Federally Insured and/or Low-Income designated do not increase lending; 2. Non-Commercial lenders lend in amount equal to 1% of assets on average under the new authority; 3. All other Commercial CUs lend in amount equal to 60% of their current use rate; 4. Estimates produced using assumptions 1-3 are further adjusted as follows: * CUs with net worth/assets <=6% are assumed to have no Commercial Loan growth* CUs with net worth/assets between 6% and 7% remain at the current 12.25% cap. * CUs with Comm Lns/assets >= 10% are limited to a 30% increase in Commercial Loans in the 1st year. 5. First year increases: baseline estimate = 50% of new use rate; adjusted/conservative estimate = 40% of new use rate. 6. Employment increase is based on Council of Economic Advisors 5/09 ARRA job creation estimates ($92,000 in spending creates 1 job / $109,633 in 2019 dollars).

[2] Wilcox, James A., The Increasing Importance of Credit Unions in Small Business Lending. Small Business Administration Office of Advocacy (2011).

the program. We ask Congress to urge the Treasury Department to provide clear guidance for the eligibility of the ECIP; ensure the RRP process does not favor past CDFI Fund awardees; and modify RRP reporting.

Conclusion

On behalf of America's credit unions and their more than 120 million members, thank you for the opportunity to share our views and look forward to working with you on these important issues.

Sincerely,

Jim Nussle
President & CEO

February 3, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The undersigned national associations represent for-profit and non-profit owners, operators, developers, lenders and property managers and housing cooperatives involved in the provision of rental housing, both affordable and conventional. We applaud the passage of the COVID-19 relief package signed into law in December 2020 which included important financial and emergency rental assistance relief measures for American families and businesses negatively impacted by the pandemic. As the Committee holds a hearing entitled "More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus," we are writing today to urge Congress to support efforts to ensure the continued financial viability and stability of the rental housing industry.

As you take steps to review additional stimulus measures, we ask that you take the following issues into consideration:

The American Rescue Plan

We applaud the Administration's efforts to quickly address the health and economic concerns facing our nation with the announcement of the comprehensive "American Rescue Plan." We greatly appreciate the recognition of the challenges facing 40 million American renters as well as the countless housing providers – urban, suburban and rural who have been affected by COVID-19. However, we urge Congress to move beyond "one size fits all" federal housing policies in favor of a more tailored approach.

The "American Rescue Plan" proposes a continuation of previously passed policies that, without change, threaten the stability of the rental housing sector and would worsen the nation's housing affordability crisis. A protracted extension of the federal eviction moratoriums fails to address the scope of damage in the housing sector and, in contrast to rental and other assistance, won't meet the needs of renters and housing providers.

The imposition of a broad federal eviction moratorium is not aligning with the scale and structure of rental assistance programs we are seeing emerge at the state and local level. The apartment industry faces an estimated nearly $60 billion in lost rent for 2020 alone according to a recent study released by the Urban Institute and authored by Mark Zandi and Jim Parrott. This shortfall threatens the stability of the rental market and pressures the industry's ability to manage hundreds of thousands of units, employ thousands of workers and make significant economic contributions in the communities where we operate.

As we approach 12 months with some sort of federal moratorium in place, the financial solvency of many in the rental housing industry, including thousands of small "mom and pop" firms, are in jeopardy. Functioning under reduced revenue for almost a year has drained reserves, caused deferred maintenance and capital improvements and placed many housing providers on the precipice of economic ruin.

Rental housing providers continue to work with their residents impacted by the pandemic by implementing rent repayment arrangements, waiving fees and connecting them with social service resources. Eviction moratoriums interfere with these good-faith efforts and housing providers' ability to ensure they have enough rental income to manage their properties. Housing providers cannot continue to shoulder the financial impacts of the pandemic without sufficient, broad-based and readily-deployed rental assistance.

With their reserves depleted and inconsistent rental income coming in, housing providers need more financial assistance to ensure that they can continue to pay payroll, utilities, mortgage payments, insurance premiums and, importantly, property taxes. Significant shortfalls in rent payments, a vast majority of which flows into other economic sectors, could have devastating impacts on communities across the country and their abilities to fund essential services.

While the recent federal COVID-19 relief package was a life preserver for the countless Americans facing financial hardship, the reach of these funds is far narrower than the scope of the CDC eviction order, both in terms of statutory income requirements and scale of aid necessary. It is particularly problematic that numerous jurisdictions are crafting rental assistance programs that far too narrowly constrain recipient eligibility in a way that seriously limits the utility of federal assistance funds. Together, thousands of housing providers and their residents will be left without aid under eviction moratoriums. In addition to the $57 billion owed in rental arrears included in the recent Urban Institute report referenced above, the report says, "the typical delinquent renter will be almost four months and $5,600 behind on their monthly rent and utilities."

Therefore, we strongly support the inclusion of additional rental assistance in the "Americans Rescue Plan." Without additional robust, direct rental assistance – beyond the newly proposed $25 billion – housing providers may never fully recover outstanding debt – whether through the eviction process or otherwise – and the housing affordability crisis will be exacerbated in the long- and short-term. This could devastate the industry and hurt America's most vulnerable renters.

Emergency Rental Assistance Implementation Efforts

As the U.S. Department of Treasury administers the $25 billion in Emergency Rental Assistance Program (ERAP) approved in the last COVID-19 relief package, we urge policymakers to refrain from efforts to thwart the original congressional intent of the program and encourage Treasury and recipients of ERAP funds to implement the program in a manner consistent with congressional intent.

On January 19, the U.S. Treasury Department published Frequently Asked Questions (FAQ) regarding program requirements. While the FAQs answer 14 questions, providing information on participation requirements, record keeping, and definitions, we feel further clarification is needed to ensure congressional intent is acknowledged in ensuring that funds are distributed swiftly, efficiently and in a manner that allows for flexibility that gets assistance to all of those in need.

Importantly, Congress saw the great need for rental assistance across the nation and across a variety of income levels and required that 90% of the funds be used for rental and utility assistance. Attempts to divert funding away from efforts that are not intended to directly address rental and utility arrears and current rent and utility obligations are well-intentioned but will continue to threaten housing stability of millions of renters who are in great need.

In addition, it is imperative that rental assistance programs be easily executable and expeditiously administered to those in need, ensuring residents can self-certify and/or utilize attestation forms to seek assistance, rather than requiring burdensome paperwork. As important as streamlining the process is, transparency and dissemination of information on how residents and housing providers can access the funds is critical to the success of the program. A centralized portal with information on the administering entities will go a long way in ensuring that the much-need assistance gets into the hands of eligible recipients in an efficient and timely manner.

We urge the Committee to help ensure that the implementation of the ERAP delivers on its promise. Detailed industry recommendations provided to the U.S. Treasury Department and the Department of Housing and Urban Development on January 7th and 28th are linked here and here.

Housing is Infrastructure

Enact Critical Infrastructure Programs to Support A National Economic Recovery: Our requests above are critical to addressing the immediate COVID-19 crisis. Once the outbreak is contained, however, the nation will need to turn its focus to the task of rebuilding the economy and putting Americans back to work. A major infrastructure package that includes housing as a core element could help address several housing development and construction challenges created or exacerbated by this crisis, while furthering the nation's economic recovery.

Construction shutdowns, shortages of labor and materials, supply chain disruptions, financial uncertainty, shifting lending and transactional requirements and indefinite delays on land transactions and project entitlements are major obstacles for housing development and rehabilitation projects underway nationwide.

New mechanisms and federal incentives are immediately needed to avoid a deepening of America's housing affordability crisis. The rental housing industry can play a valuable role in this effort. As you consider infrastructure initiatives, we urge the inclusion of measures that support the interconnectivity between housing and infrastructure and promote housing development at all income levels, including:

- Investing in housing and infrastructure that includes solutions to address the nation's most pressing housing challenges;

- Incentivizing localities to reduce barriers and adopt policies to encourage private sector investment in housing;

- Reduce regulatory barriers and invest in programs that have proven to increase voluntary property owner participation in the Section 8 Housing Choice Voucher (HVC) Program.

As we wait for vaccine distribution to hit a critical mass and ensure we can fully resuscitate recovery efforts, we need your help to close the growing gap of tens of billions in rental debt that accumulated in 2020 and to pause on long-term extensions of eviction moratoriums. The economic recovery of our communities depends on it. We remain committed to ensuring that the 40 million families who rent have a safe, secure place to call home and we stand ready to work with Congress and the Administration to provide the assistance necessary to meet the challenges of the COVID-19 crisis. Please do not hesitate to contact us with questions or if we can serve as a resource on housing policy issues.

Sincerely,

CCIM Institute
Council for Affordable and Rural Housing
Institute of Real Estate Management
Manufactured Housing Institute
Mortgage Bankers Association
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Housing Cooperatives
National Association of REALTORS
National Leased Housing Association
National Multifamily Housing Council

cc: The Honorable Marcia Fudge
The Honorable Janet L. Yellen
CDC Director Rochelle P. Walensky, MD, MPH